

*The draft 2019-20 Statement of Accounts is unaudited and as published may be subject to change  
Rounding differences will be cleared as the accounts are finalised*

# **Police and Crime Commissioner for the West Midlands: Consolidated Statement of Accounts**

## **2019-20**

# STATEMENT OF ACCOUNTS 2019-20

## Contents

	Page
Narrative Report	3
Annual Governance Statement	17
Statement of Responsibilities for the Statement of Accounts	27
Independent auditor's report to the Police and Crime Commissioner for the West Midlands	29
Comprehensive Income and Expenditure Statement - Group	33
Comprehensive Income and Expenditure Statement – PCC	34
Group Movement in Reserves Statement	35
PCC Movement in Reserves Statement	36
Group and PCC Balance Sheet	37
Group and PCC Cash Flow Statement	38
Notes to the accounts	41
Notes to the Comprehensive Income and Expenditure Statement	54
Notes to the Movement in Reserves Statement	77
Notes to the Balance Sheet	82
Notes to the Cash Flow Statement	97
Joint Operations	98
Police Pension Fund Account	100
Glossary of Terms	102

## NARRATIVE REPORT

### About The West Midlands, the Police and Crime Commissioner and West Midlands Police

West Midlands Police is the second largest police force in the country after London's Metropolitan Police Service. It covers an area of 384 square miles and serves a population in the region of 3 million (over 1 million households). The region sits at the very heart of the country and covers the three major cities of Birmingham, Coventry and Wolverhampton. It also includes the busy and thriving districts of Dudley, Sandwell, Solihull and Walsall. The majority of the area is densely populated but there are some rural areas.

The region's economy has diversified from its historic heavy industry roots of the Industrial Revolution. With the decline in traditional manufacturing, both the public and private sectors have rejuvenated the area. Birmingham now has a commercial and shopping area which is among the largest in Europe. This is complemented by a wide range of social amenities such as the National Exhibition Centre, National Indoor Arena, International Convention Centre, theatres, galleries and many large conference facilities. The area boasts a thriving nightlife, centred around Birmingham City Centre. West Midlands hosts Premiership and Championship football clubs together with many others in the other leagues.

The region is well served by rail and road links. Road and rail travel is supplemented by significant air traffic through Birmingham International and Coventry airports. The area is proud of its academic institutions, being home to a number of universities located in Birmingham, Coventry, Walsall and Wolverhampton.

The West Midlands is the second most diverse population in the UK with a higher than average percentage of minority ethnic groups including Pakistani at 4.1%, Indian at 3.9% and Caribbean at 1.5%. It also had a lower than average White ethnic group at 82.7% and White British at 79.2%. Approximately 12% of the region's population were born outside the UK. Average earnings, the employment rate and house prices for the region are lower than the national average.

There are seven local authorities within the area, Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, each with a Community Safety Partnership. The area is also served by three Local Enterprise Partnerships (LEPs), Staffordshire and West Midlands Probation Trust and a number of NHS structures, adding complexity to the partnership landscape.

West Midlands Police is one of the best performing metropolitan police forces in the country. The Force continues to work to reduce crime levels across the region. At the same time, through headquarter departments and formal collaborative arrangements with other forces and law enforcement agencies, resources and expertise have been focused on a range of inter- and cross-force activities.

Local policing is delivered through eight neighbourhood policing units (NPUs). Due to its size Birmingham has two NPUs, whilst the other six NPUs are coterminous with local authority boundaries. Each NPU is headed by a Chief Superintendent and the local NPU work is supported by a number of specialist central and support departments.

West Midlands Police has a reputation for continuous improvement, innovation and empowering leadership with a talent to continuously evolve and meet changing needs. The Force aims to deliver

policing that is accessible and responds to the needs of local people. Neighbourhood policing provides a named team of local officers who can influence the policing priorities within their neighbourhood. They work with colleagues and partner agencies to address the concerns of their communities.

## **Roles of the West Midlands Police and Crime Commissioner and West Midlands Chief Constable**

### **Role of Police and Crime Commissioner**

There are 40 police and crime commissioners in England and Wales. The governance of the Metropolitan Police Service is a duty of the Mayor of London and the City of London Corporation governs the City of London Police. In Greater Manchester the elected Mayor combines the mayor role with that of Police and Crime Commissioner. Together with the Home Secretary and chief police officers, the Commissioner and Chief Constable are responsible for the management of policing in England and Wales.

The West Midlands Police and Crime Commissioner is the local governing body for policing in the West Midlands. The Commissioner has an over-arching duty to secure an effective and efficient police force. The Commissioner has a number of statutory roles, which include:

- representing all those who live and work in the communities in their force area and identifying their policing needs
- setting priorities that meet those needs by agreeing a police and crime plan
- holding the Chief Constable to account for achieving the Commissioner's priorities as efficiently and effectively as possible
- setting the force budget and setting the precept
- hiring and, if necessary, dismissing the Chief Constable

To fulfill these roles, the Commissioner has a range of powers and responsibilities. The Commissioner:

- must produce a Police and Crime Plan
- must set the policing "precept", which is the part of local council tax that goes to policing
- appoints and, if necessary, dismisses the Chief Constable
- makes Crime and Disorder Reduction Grants
- has oversight of how complaints against the police are managed
- must keep under review opportunities for collaboration
- has duties relating to national criminal threats, safeguarding of children, and consulting the public

- has a role in ensuring the effectiveness of the wider criminal justice system

The Commissioner is supported in his work by an executive team headed by the Chief Executive and Monitoring Officer. The team also has the Commissioner's Deputy Chief Executive, Chief Finance Officer, a Legal Adviser, together with a Policy team, an Internal Audit team, a Violence Reduction Unit, a Media and Communications team and a Business Services team.

The Commissioner is supported and scrutinised by a separate Police and Crime Panel. The Panel is made up of twelve councillors from across the West Midlands and two independent members. Information on the work of the Panel can be found at <http://westmidlandsppc.co.uk/>. The Panel is set up under the provisions of the Police Reform and Social Responsibility Act 2011.

Further information on the work of the Commissioner and the statutory framework in which the Commissioner works can be found on the Commissioner's website [www.westmidlands-pcc.gov.uk](http://www.westmidlands-pcc.gov.uk)

## **Role of Chief Constable**

The Chief Constable has overall responsibility for the direction and control of West Midlands Police Force. Chief constables and their officers must answer to the courts and the law for how police powers are used. They must also answer to the Police and Crime Commissioner in terms of delivering efficient and effective policing, and the way resources and spending are managed. Chief constables will deliver the strategy and aims set out in the PCC's police and crime plan, and they will help the PCC plan the force's budget and give them access to information, officers and staff whenever this is needed.

The Chief Constable is responsible for ensuring a Force's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Chief Constable also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Chief Constable is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

The Chief Constable has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE 2016 updated framework: *Delivering Good Governance in Local Government*, a copy is on our website at [www.west-midlands.police.uk](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands.police.uk/contact-us/index.aspx](http://www.west-midlands.police.uk/contact-us/index.aspx) This statement explains how the Chief Constable has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015 (amended 2020), regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

The Chief Constable of the West Midlands is supported by a Deputy Chief Constable, four Assistant Chief Constables, a Director of Commercial Services and a Director of People and Organisational Development.

Information on West Midlands Police can be found at [www.west-midlands.police.uk](http://www.west-midlands.police.uk)

# The Statement of Accounts

This Statement of Accounts sets out the overall financial position of the Police and Crime Commissioner for the West Midlands (PCCWM) and the consolidated accounts of the corporation soles of Police and Crime Commissioner for the West Midlands and the Chief Constable of West Midlands Police (CCWMP). The Statement of Accounts has been prepared following the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. This interprets the International Financial Reporting Standards on which the accounts of the PCCWM are required to be based.

The primary function of the office of Chief Constable of West Midlands Police is the exercise of operational policing duties under the Police Act 1996. The role of the Office for the Police and Crime Commissioner is to hold the Chief Constable to account for the exercise of these duties thereby securing the maintenance of an efficient and effective police force in the West Midlands. A separate set of statutory accounts have been published for the Chief Constable to recognise all the financial transactions incurred during 2019-20 for policing the West Midlands area.

The Statement of Accounts for the PCCWM group consists of:

## **1. Police and Crime Commissioners Approval**

The date and signature of the Police and Crime Commissioner on the approval of the Statement of Accounts.

## **2. Annual Governance Statement**

This statement describes how the office for the Police and Crime Commissioner conducts its business in accordance with proper standards. The Annual Governance Statement does not form part of the Statement of Accounts but is shown here for reporting purposes.

## **3. Statement of responsibilities for the Statement of Accounts**

This details the financial responsibilities of the PCCWM and his Chief Finance Officer in relation to the Statement of Accounts.

## **4. Auditors report**

This is the External Auditors report and opinion on the accounts and conclusion on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

## **5. The Statement of Accounts key financial statements**

The Statement of Accounts brings together the key financial statements of the Police and Crime Commissioner. The consolidated financial statements consist of:

- Comprehensive Income and Expenditure Statement for the Group and Police and Crime Commissioner for the West Midlands** – These statements shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Authorities and PCCs raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The statement shows the net cost for the year of the functions for which the PCCWM is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. The statement includes other recognised gains and losses of the PCCWM during the year showing the total comprehensive income and expenditure of the PCCWM.

- **Movement in Reserves Statement for the Group and Police and Crime Commissioner for the West Midlands** – These statements shows the movement in the year of the different reserves held by the PCC analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the PCCWM services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCCWM.
- **Balance Sheet for the Group and Police and Crime Commissioner for the West Midlands** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCCWM and the Group. The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. (For example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.
- **Cash Flow Statement for the Group and Police and Crime Commissioner for the West Midlands** – The Cash Flow Statement shows the changes in cash and cash equivalents of the PCCWM during the reporting period. The statement shows how the PCCWM generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCCWM are funded by way of taxation and grant income or from the recipients of services provided by the PCCWM. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCCWM’s future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCCWM.

## **6. Additional notes and disclosures**

Notes are included following the key financial statements detailing the accounting policies applied and disclosures relating to the statements. Significant notes include:

- **Expenditure and Funding Analysis** - The objective of the Expenditure and Funding Analysis is to demonstrate to Council tax payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Group’s directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement
- **Police Pension Fund and notes to the Police Pension Fund scheme** - The Police Pension Fund Account presents the income received in respect of employers’ and employees’ pension

contributions with employers' contributions made at a rate of 31% of police officers' pay. It then presents the expenditure from the fund as police pensions paid during the year.

Any surplus or deficit on this account at the end of the year is paid to, or claimed from the Comprehensive Income and Expenditure Statement of the Chief Constable within Financing and Investment Income and Expenditure.

## REVENUE OUTTURN 2019-20

The financial position of the Force was closely managed and reported throughout the year which resulted in a total revenue underspend of less than 3.5% of the total budget of £580m. The Force underspend of £8.8m included an amount of £3.7m that will be used to support the funding shortfall for 2020-21, with the remainder being planned contributions to / from specific earmarked reserves. A further £11.3m was underspent against the WMP2020 Change Programme which will be required to fund the completion of in-train projects in 2020-21.

The Commissioned Services underspend of £3.8m will also be utilised in 2020-21.

The Force undertook a range of activity to deliver against the national police officer uplift programme and these costs met the criteria and conditions of the Home Office grant which was fully claimed for 2019-20, to fund work on recruitment campaigns and assessments centres. This also included the purchase of vehicles and equipment in preparation for the uplift in the workforce.

The following paragraphs detail the Group's expenditure in 2019-20 and how this differed from the budget.

### **Pay related expenditure**

The Force has been working hard to recruit against the challenging recruitment target for 2019-20. While positive progress has been made in building a positive attraction and inclusion offer which has driven significant numbers of candidates to apply for our police officer campaign, the number of appointments has been less than anticipated.

The forces Uplift Project has been developed and is driving a rigorous improvement plan to streamline and speed up internal practices, build more effective relationships with Staffordshire University and the College of Police in relation to their role in the process, and identified pain points and bottlenecks in the candidate journey.

The Force is focused on addressing these issues and is committed to catching up and delivering against our police officer recruitment target for 2020-21.

### **Premises related expenditure**

The premises overspend was as a result of additional premises costs for Commonwealth Games, Uplift, ROCU and Disclosure & Barring Services that were not factored in the budget setting but were covered by external income, resulting in a net nil effect.

### **Supplies and Services related expenditure**

The Supplies and Services is a net underspend achieved through contract savings, re-profiling of ICT projects and a general underutilisation of professional services and equipment budgets. The significant variance are broken down as follows:

- £821.7k within IT and Digital relating to:

- £524k contract savings on the Virgin Landline Contract achieved by the Mobility Team;
- £191k contract price reductions on some of our licence costs;
- £106k on the covert Airwave radios, where purchasing of the radios has been carried forward into 2020-21.
- £713.4k underspend was due to the reduced requirement of ICT and assessment centre costs for 2019-20, however most of this will be delivered in 2020-21 and onwards.
- £459.3k within NaBIS, holding back on ICT related spend and creating a reserve to fund the Integrated Ballistic Identification Services (IBIS) upgrade in future years.

In response to the pandemic and government guidance we have purchased a number of protective equipment items (circa £1m) to support the measures taken by the force to protect our officers and staff.

## **Capital Financing**

Capital Financing overspend of £2.5m was due to additional Revenue Contribution to Capital to fund the capital programme, which in turn lessened the requirements for external borrowing.

## **External Income**

External Income was greater than budgeted by £2.9m, this largely relates to:

- £1.3m in Regional Organised Crime Unit Funding settlement between forces has resulted in additional charges to West Mercia, Warwickshire and Staffordshire than anticipated due to spend profiles.
- £1.0m anticipated income to cover the PPE spend in relation to COVID-19.
- £0.2m additional gantry income within CMPG that will be carried forward into 2020-21.

## **WMP2020 Project Costs**

The underspend on the WMP2020 programme of £11.4m is split between:

- £4.7m in the Our Data Programme due to re-profiling the Connect programme and deferring Control Works Phase 2 and Ingestion;
- £2.4m underspend on the planned works on the estates programme, in line with agreed changes to the timeline for delivery of the programme of work;
- £1.8m deferred to 2020-21 in the New Ways of Responding project including Smarter Responding and Taser. Due to timing of the Home Office grant for additional Tasers and the testing of the mira books;
- £0.9m of delays across smaller projects, due prioritising larger projects;
- £0.5m deferred in the Digital Evidence Store, delivery of this has been deferred to 2020-21;
- £0.3m in MyTime as phase 2 is deferred to 2020-21; and
- £0.8m contingency within the WMP2020 portfolio.

The amounts will be carried forward to meet the costs in 2020-21.

## **West Midlands Police and Crime Commissioner**

The Office of the Police and Crime Commissioner's outturn was a underspend of £3.8m and will be fully carried forward into 2020-21. A summary of the outturn is as follows:

- The underspend in the Office of the Police and Crime Commissioner relates to small variances in the staffing and supplies and services budgets.
- The underspend on Community Safety Funding is the phasing of projects between financial years and will be spent in 2020-21.

- The under spend on External Funding expenditure relates to a number of prevention projects and is due to phasing between financial years.
- In relation to the Active Citizens underspend, the uncommitted variance at 31 March 2020 was £66k. This is split across Neighbourhood Policing Units and is planned to be spent in 2020-21.

The outturn position of the Group is shown in the table below:

<b>Actual 2018-19</b>	<b>Revenue Expenditure</b>	<b>Budget 2019-20</b>	<b>Actual 2019-20</b>	<b>Variation + (-)</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
490.6	Employee costs	516.4	509.9	(6.5)
15.8	Premises costs	18.4	18.6	0.2
7.4	Transport costs	6.0	6.0	0.0
41.3	Supplies and Services	42.9	40.9	(2.0)
10.7	Collaborative working costs	13.0	13.1	0.1
6.1	Capital Financing	10.4	12.9	2.5
(40.3)	Income	(49.6)	(52.7)	(3.1)
<b>531.6</b>	<b>Police Force (Excl. WMP2020 project costs)</b>	<b>557.5</b>	<b>548.7</b>	<b>(8.8)</b>
17.0	WMP2020 project costs	22.4	11.0	(11.4)
<b>548.7</b>	<b>Police Force (Incl. WMP2020 project costs)</b>	<b>579.9</b>	<b>559.7</b>	<b>(20.2)</b>
	<b>Police and Crime Commissioner</b>			
2.3	Office for Police and Crime Commissioner	2.5	2.4	(0.1)
6.6	Commissioned Services	10.4	6.7	(3.7)
<b>8.9</b>	<b>Police and Crime Commissioner</b>	<b>12.9</b>	<b>9.1</b>	<b>(3.8)</b>
<b>557.6</b>	<b>Net Cost Police Services</b>	<b>592.8</b>	<b>568.8</b>	<b>(24.0)</b>
0.6	Other Contributions to (from) Reserve	(20.6)	(2.7)	17.9
(23.0)	Net Contribution to (from) Budget Reserves	(2.4)	3.7	6.1
<b>535.3</b>	<b>Net Budget Requirement</b>	<b>569.8</b>	<b>569.8</b>	<b>0.0</b>
	Statutory Accounting Adjustments:			
655.2	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance			387.8
<b>1,190.5</b>	<b>Net Operating Expenditure (CIES)</b>		<b>957.6</b>	

The following table summarises the outturn compared with the budget and shows the movement of reserves.

	<b>2019-20 Original Budget £m</b>	<b>2019-20 Outturn £m</b>	<b>Difference £m</b>
Net Cost of Services	592.8	568.8	(24.0)
Contribution from Budget Reserve	(2.4)	3.7	6.1
Earmarked carry forwards	(20.6)	(2.7)	17.9
<b>Net Budget Requirement</b>	<b>569.8</b>	<b>569.8</b>	<b>0</b>

The table below shows how the Net Budget Requirement of £569.8m is funded from Government Grants and Council Tax.

	<b>2019-20 Outturn £m</b>
Council Tax Payer	109.8
Police Revenue Grant	259.7
Council Tax Support Funding	19.0
DCLG Grant	181.3
<b>Net Budget Requirement</b>	<b>569.8</b>

## How we have performed in 2019-20

The table below shows some key crime statistics for West Midlands Police for the year ended 31 March 2020 compared to the same time in the previous year.

	<b>2018-19</b>	<b>2019-20</b>	<b>% change</b>
Total recorded Crime	259,430	260,847	0.5%
Business Crime	47,002	38,243	(18.6%)
Burglary	28,967	24,162	(16.6%)
Robbery	8,727	8,176	(6.3%)

Crime remained similar to levels during the last 12 months – the low volumes in March due to COVID-19 offset some of the increases around changes to crime classification around Crime Data Integrity especially around online Harassment and wider increases in Domestic Abuse. Levels of Burglary and Robbery that featured prominently with the Forces improvement plan saw significant reductions this year.

## Performance rated by PEEL assessment

PEEL reports are annual assessments carried out by Her Majesty's Inspectorate of Constabulary Fire and Rescue Services (HMICFRS) into police forces in England and Wales examining three pillars, efficiency, effectiveness and legitimacy.

HMICFRS changed their approach to inspections in 2018 and integrated all three inspections into one report based on continual monitoring through field work, insight visits and data analysis.

West Midlands Police were graded good across all three pillars in 2018 and this grading remains until HMICFRS revisit the Force which is expected to take place during 2020-21.

HMICFRS tested how efficient the Force was at keeping people safe and reducing crime and have deemed the Force to be good in this area. They found that the Force is good at operating efficiently and sustainably. HMICFRS found that the Force is outstanding in the way that it is planning for the future and manages its change programme well.

In respect of how effective the Force is at keeping people safe and reducing crime, HMICFRS found that the Force has a good understanding of the nature and scale of vulnerability within the West

Midlands. They recognised that the Force has taken steps to address issues identified within the control rooms in 2017 and that the Force is working to make further improvements in this area. They found that the Force approach to domestic abuse risk assessment has improved, and that the Force is working to improve this further and that the mental health triage service is effective ensuring that people experiencing mental health problems are taken to appropriate places of safety rather than police cells.

HMICFRS tested the legitimacy of the Force at keeping people safe and reducing crime. It recognised the Force as good and commented that it treats both the public and its workforce fairly. It found that the Force communicates well with the public, including those parts of the community that are harder to reach. The inspection recognised that whilst all officers and staff employed by the Force have been subject to vetting checks the force needs to address the delay in renewing vetting. They did recognise that the Force has clear standards of behaviour and that officers and staff are confident that they can raise issues with senior leaders within the Force.

HMICFRS published its Value for Money (VfM) profiles for each force in 2019. VFM profiles provide comparative data on a wide range of policing activities from 2012 up to the most recent data release for 2019/20 and allow for detailed analysis of:

- how much forces spend on different policing activities;
- how crime levels compare across forces, as well as what outcomes forces achieve; and
- Work force costs, broken down by role, rank and gender.

West Midlands Police compares favourably with other forces in all areas despite losing £175m government funding since 2010.

At the end of March 2020 HMICFRS suspended all inspection activity until further notice due to the Coronavirus pandemic. HMICFRS continues to review this suspension and nonetheless is continuing to engage with West Midlands Police.

## **EARMARKED AND GENERAL RESERVES**

Earmarked Reserves amount to £48.1m, and the General Reserve has been maintained at £12m to adequately cover the risk of major incidents.

The 2019-20 outturn resulted in a contribution to the Budget Reserve of £3.7m, this will be used to support the funding shortfall for 2020-21.

The self-funded insurance reserve has a balance of £8.8m. This reserve is used to fund liabilities relating to staff, the public, the PCC's buildings and the PCC's vehicles and equipment over and above the excess amounts on the PCC's insurance policies.

Reserves analysed in greater detail:

	<b>General Fund Balance £m</b>	<b>Earmarked Reserves £m</b>
Opening Balance 1 April 2019	12.0	46.2
Movement in year	0	1.9
Closing Balance 31 March 2020	12.0	48.1

## MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

Overall capital expenditure for the year was planned to total £67.1m in the capital programme.

The PCC/Group has £7.2m of Capital Reserves in Unapplied Capital Grants and Unapplied Capital Receipts to meet future capital expenditure plans and other financial commitments.

The new Logistics centre in Birmingham neared completion by the end of the year and work commenced in year on the site at Park Lane for the first new building due to be constructed there.

The PCC/Group has taken ownership of £5.2m of new vehicles through a vehicle replacement programme where new vehicles have been specified to reduce on-going maintenance costs and improve fuel efficiency.

Capital expenditure on IT, Equipment and Software was budgeted as £25.4m of which £9.9m was budgeted for transformation projects. Actual expenditure was £14.9m, including £6.1m spend on equipment to improve our mobile technology offer to our officers.

The capital programme for 2019-20 is summarised in the table below

2018-19 Outturn £'000		2019-20 Programme £'000	2019-20 Outturn £'000
<b>Property Plant and Equipment comprising:</b>			
<b>Land and Buildings:</b>			
11,444	New Police Buildings	34,554	22,397
80	Improvements and Adaptations	2,474	0
<b>Vehicles and Equipment:</b>			
4,487	Vehicles	4,666	5,225
5,517	IT and Equipment	18,031	8,151
10,194	Intangibles	7,409	6,766
22	REFCUS	0	26
<b>31,744</b>	<b>TOTAL</b>	<b>67,134</b>	<b>42,565</b>
<b>FINANCING OF EXPENDITURE</b>			
5,954	Capital Grants	12,309	11,562
11,680	Capital Receipts	6,547	34
1,176	Capital Reserve	0	0
2,500	Direct Revenue Financing	13,724	8,572
10,435	Prudential Borrowing	34,554	22,397
<b>31,744</b>	<b>TOTAL</b>	<b>67,134</b>	<b>42,565</b>

## PENSIONS

The requirement to recognise the net pensions liability in the Balance Sheet has reduced the reported net worth of the Group, converting net assets of £225m into net liabilities of £7,694m.

The table below shows the estimated value of the Group's pension commitments should they be called now:

	2018-19 £'000	2019-20 £'000
Police Officers	7,984,990	7,611,360
Police Staff	367,375	304,927
PCC staff	2,469	2,864
<b>Total</b>	<b>8,354,834</b>	<b>7,919,151</b>

The actuarial gain on pension funds in 2019-20 totalled £734.5m and compared to actuarial losses in 2018-19 of £192.0m. The decrease in the liability of £436m is due to reductions in the assumed increases in salaries and in the rate of CPI inflation which will reduce the liability for active members of the scheme. It should be noted that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 66 of the Statement of Accounts.

However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy because:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- The Police Officer pension scheme is a statutory scheme as specified by police regulations, whereby the Group pays an employer's contribution of 31% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there are insufficient funds in the Pension Fund Account to meet expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore the significant liability of £7.611bn will be covered by future employer contributions and the receipt of Home Office grant monies. Ultimately, finance is only required to be raised to cover police pensions when the pensions are actually paid.

## CHANGES TO ACCOUNTING POLICIES

No new Accounting Standards have required adoption in the 2019-20 Accounts and the Accounting Policies for the group remain unchanged.

## BORROWING

The PCCWM's borrowing totals £103.6m (£89.9m in 2018-19). £15m new PWLB loans have been taken out during the financial year to support the Estates Strategy and one loan of £550k matured and was repaid. All short term borrowing has been repaid. Details of borrowing are shown in Note 34.

## CASH FLOWS

The group's cash flows in 2019-20 showed that cash from operating activities produced a net surplus of £14.1m and a deficit in investing and financing activities of £5.6m resulting in a net increase in cash

and cash equivalents of £22.2m. (£13.8m decrease in cash and cash equivalents in 2018-19). This is shown in the Cash Flow statement on page 38. Cash flows have been forecast for 2020-21 supported by information from a variety of sources.

## FUTURE OUTLOOK

Since 2010 the West Midlands has faced a challenge of managing one of the largest reductions in Government funding for any police area in the country and maintaining and improving the services needed by local people and businesses. Whilst these pressures continue, the Commissioner and the Chief Constable continue to deliver against the Police and Crime Plan including the emergency chapter covering the COVID-19 response. This is in conjunction with the Force's 3 year strategy; 'This Work Matters' that includes being a key partner in the delivery of some significant events including the Coventry City of Culture 2021 and the Commonwealth Games 2022.

The Force also enters the final phase of the 5 year transformation programme, having successfully delivered a significant number of projects. This year the Force delivered Data Driven Insights (DDI), ControlWorks and the redesign of the Duty Management system known as MyTime. Going forward WMP strives to be more efficient and effective by building on the investments we have made in our people and technology over the past five years.

In 2019 the government announced further investment in policing with a pledge to recruit an additional 20,000 police officers by 2023. Based on the Police Grant Funding Formula this would give WMP an extra 1,200 officers, which provides the Force with a significant opportunity to increase its service levels.

The COVID-19 pandemic has presented the Commissioner and the Chief Constable with some unprecedented challenges. The Force has seen some immediate effects on crime, including a reduction in some crime types but increases elsewhere. The full social and financial implications of the pandemic are being closely monitored and will be reflected in the 2020-21 Statement of Accounts.

## FUTURE FUNDING LEVELS

The Police and Crime Commissioner is funded through annualised grants from central government, based on the police funding formula and the police precept component of local council tax. These one year annual settlements make it difficult to financially plan for the medium to long term. Whilst there have been discussions on revisiting the funding formula no specific review date has been set, therefore there is a reasonable expectation that the current methodology will continue to be used in the short term. Any new funding formula introduced may pose a risk to funding levels and will be closely monitored, including the impact on the medium term financial plan and the reserve strategy.

The Chancellor announced on 24 March 2020 that the Comprehensive Spending Review would be delayed from July to enable the government to remain focused on responding to the public health and economic emergency. We are now expecting an announcement on the timing in the coming months and as a consequence of the COVID pandemic we may see a shift in national priorities.

The medium term financial plan of the PCC and Force includes a number of assumptions around resource levels and financial commitments. We will revisit these assumptions as we work through the impact of COVID-19 and other factors on the force and our stakeholders.

Following the referendum decision announced on 24 June 2016 for Great Britain to leave the EU and subsequent trade deal negotiations the PCC has determined that this may impact on our assumptions and estimates on issues such as prevailing interest rates and investment risks and returns. These

issues will be regularly reviewed and considered by the PCC in future years when completing medium term financial planning.

## **EVENTS AFTER THE REPORTING PERIOD**

Whilst the corona virus outbreak was declared a global pandemic by the World Health Organisation on 11 March 2020, the full impact on the UK and world economy was not felt until after 31 March 2020 and is therefore a non-adjusting event. The financial impact of COVID-19 on the current year (2020-21) will not be fully understood for some time but it will incur additional costs and lost income. The financial impact will largely depend on the level of additional funding received from Government, which is yet to be confirmed.

# **Annual Governance Statement**

Position as at 31<sup>st</sup> March 2020 including plans for the financial year 2020-21

## **1 Introduction**

This Annual Governance Statement demonstrates how the Police and Crime Commissioner for the West Midlands complies with a governance framework. This includes how the effectiveness of the framework is evaluated and monitored. This document also highlights any significant governance issues and any planned changes in the governance framework. A major development on the operation of the Police and Crime Commissioner's business has been the outbreak of COVID-19 which has had a significant impact on West Midlands Police. This statement refers to how the outbreak of COVID-19 has been managed and governed from a policing perspective.

## **2 Scope of Responsibilities**

The Commissioner is responsible for ensuring his business is conducted in accordance with the law and proper standards, and public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which his functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Commissioner is also responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and arrangements are in place for the management of risk.

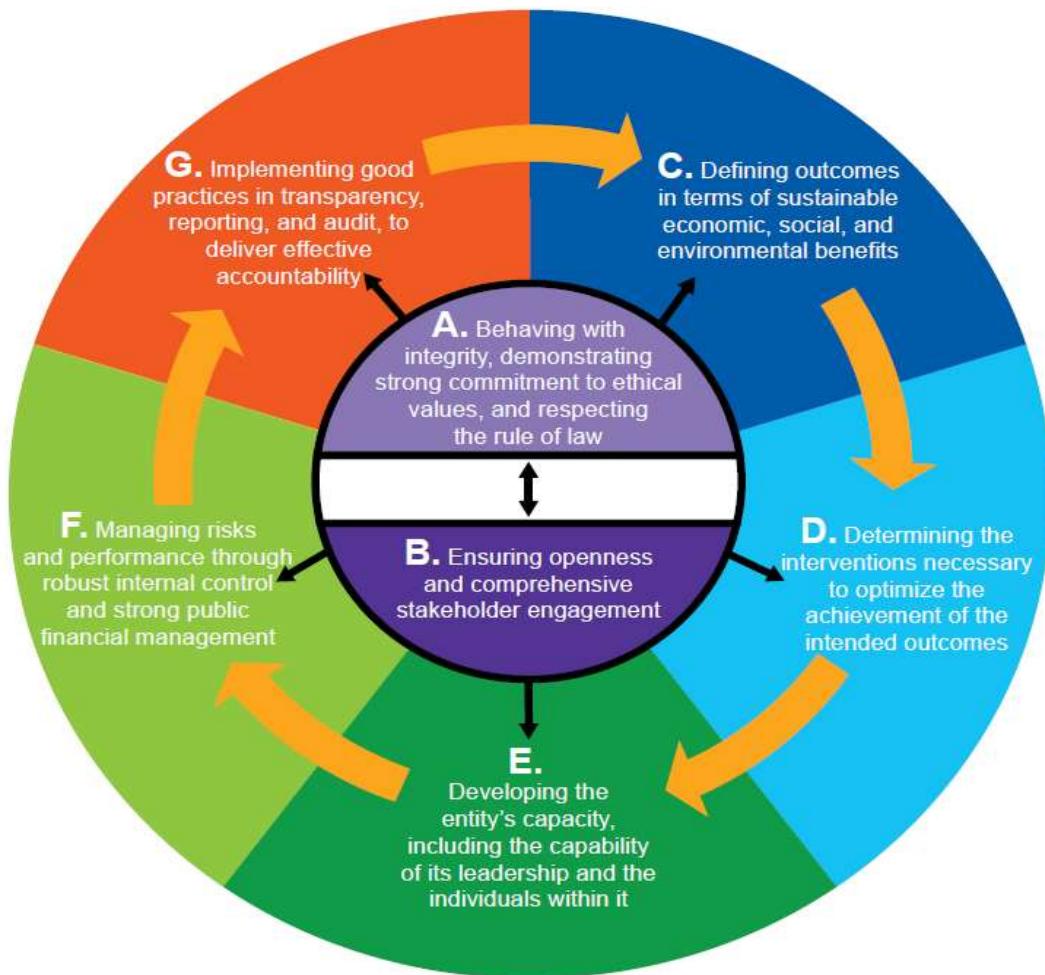
The Commissioner has adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE 2016 updated framework: Delivering Good Governance in Local Government, a copy of which is on the Commissioner's website at [www.westmidlands-pcc.gov.uk](http://www.westmidlands-pcc.gov.uk) or can be obtained by contacting the Commissioner's office, details at <https://www.westmidlands-pcc.gov.uk/contact>. This statement explains how the Commissioner has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 (amended 2020), regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

## **3 The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which the Commissioner directs and controls his activities through which he accounts to and engages with the community. It enables the Commissioner to monitor the achievement of his strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable but not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The diagram below sets out the core principles of the Police and Crime Commissioner's Governance Framework.



## 4 The Governance Framework

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Commissioner is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. The relationship between the Commissioner, the Chief Constable, the Police and Crime Panel and the Home Secretary is guided by the Policing Protocol Order 2011 (<https://www.gov.uk/government/publications/policing-protocol-order-2011-statutory-instrument>).

It therefore follows that the Commissioner must satisfy himself that the Chief Constable has appropriate mechanisms in place for the maintenance of good governance. For these to operate in practice, the Commissioner and the Chief Constable, as separate corporations sole, have separate but complimentary governance structures. These facilitate the achievement of effective governance arrangements, including the monitoring and assessment of performance in line with statutory responsibilities.

The Commissioner has adopted a number of systems and processes which comprise the Commissioner's current governance arrangements, the key elements of which are detailed below:

- The West Midlands Police and Crime Plan 2016 - 2020 sets out the Commissioner's objectives for policing and community safety, the policing to be provided, the financial and other resources that will be available, how performance will be measured, what grants will be made and how the Chief Constable will be held to account. Due to COVID-19 the Commissioner's Police and Crime Plan was amended in April 2020 and includes an emergency chapter covering the COVID-19 crisis. Also the postponement of the Police and Crime Commissioner elections in March 2020 to May 2021, means the current Police and Crime Plan, including the emergency chapter will be in place to the end of the Commissioner's term of office in May 2021.

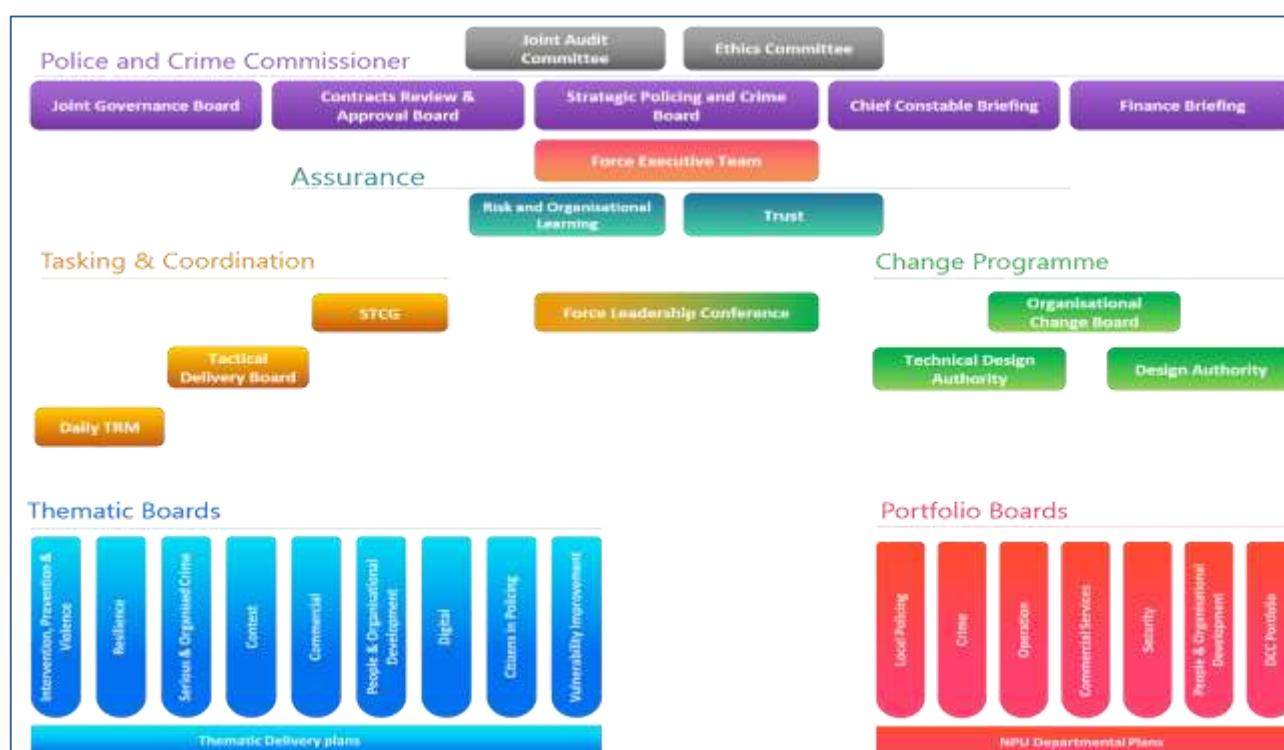
- Translating the Commissioner's objectives into delivery plans.
- The operation of the Strategic Policing and Crime Board (SPCB) that provides effective engagement, strategic direction and assists the Commissioner in holding to account West Midlands Police. The SPCB meets monthly and are open to the public. The meetings are webcast and are taking place virtually during the COVID-19 crisis.
- The Commissioner works with the Chief Constable to ensure there are processes and systems in place to deliver the Police and Crime Plan. This allows the Commissioner to be satisfied the Chief Constable has regard to the Police and Crime Plan through the strategic and operational plans of the Force.
- Measuring the quality of services, to ensure they are delivered in accordance with the Commissioner's objectives and represent the best use of resources and value for money.
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication, in respect of the Commissioner and partnership arrangements.
- Ensuring effective arrangements are in place for the discharge of the head of paid service and monitoring officer functions.
- Ensuring the Commissioner's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014).
- Ensuring compliance with the Commissioner's statutory responsibilities, including:-

  - Setting the budget and precept
  - Issuing a Police and Crime Plan
  - Publication of an Annual Report
  - Publication of specified information
  - Duties to consult with victims of crime, the population as a whole and ratepayers
  - Safeguarding of children and promotion of child welfare
  - Having regard to the Strategic Policing Requirement. This is demonstrated through an annual report to the SPCB
  - Duties relating to equality and diversity

- Procedure rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, Confidential Reporting ("Whistleblowing"), Complaints Handling, Anti-Fraud, Bribery and Corruption and Records Management, including security of information and information sharing.
- Codes of conduct, defining the standards of behaviour for the Commissioner, Deputy Police and Crime Commissioner, Members of the Strategic Policing and Crime Board, Statutory Officers and Staff.
- The Joint Scheme of Corporate Governance sets out in detail the respective roles and functions of the Commissioner and Chief Constable, outlining all significant decisions which are consented or delegated and which are of a statutory, financial or management nature.
- A Decision Making Policy is in place which establishes the approach and principles of decision-making. All decisions made by the Commissioner are recorded and published on line for transparency.
- A Joint Audit Committee (with the Chief Constable) is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Chief Constable's and PCC's financial performance to the extent that it affects the Chief Constable and PCC's exposure to risk and weakens the control environment. The Joint Audit Committee has an independent Chair, as identified by the Home Office's Code of Practice for Financial Management and CIPFA's Audit Committee – Practical Guidance for Local Authorities and Police. An independent member has also been appointed to the Joint Audit Committee.
- An Ethics Committee which advises the Commissioner and Chief Constable on data science projects being proposed by the Force's Data Analytics Lab. The Lab is led by specially recruited data scientists and will develop programmes of work that use data more intelligently to help the Force prevent crime, allocate resources more efficiently and help it to do its job of keeping the public safe. The Ethics Committee has been set up to help ensure that ethics and people's rights are put at the heart of the Lab's work. Using the Committee's expertise, the Force will be in a better position to help people avoid crime and support the communities of the West Midlands.

- The PCC has a Corporate Risk Strategy and Register, prepared and reviewed by senior management. The Joint Audit Committee is responsible for independent assurance on the adequacy of the risk management framework.
- Procedural rules, policies and internal management procedures are established for financial management.
- Oversight of the management of change and transformation within the Force.
- Ensuring the Commissioner's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and, where they do not, explain why they deliver the same impact.
- An External Audit function reports to "those charged with governance" in respect of the Annual Accounts.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. An example of this is the development of the West Midlands Violence Reduction Unit.
- Developing good governance arrangements in respect of partnership and other joint working arrangements.
- The Commissioner provides information to External Audit to enable them to provide assurance.
- The Commissioner also ensures External Audit's recommendations are implemented.

The diagram below details how the Commissioner's governance structure is aligned to the governance structure of West Midlands Police.



## 5 Review of Effectiveness

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework.

The review of effectiveness is informed by the work of the managers within the Commissioner's Office, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's

Annual report, and also by comments made by the External auditors and other review agencies and inspectorates.

In maintaining and reviewing the effectiveness of the governance arrangements, the following roles are undertaken:

- **The Commissioner**

The Commissioner is overall responsible for the maintenance and review of the governance arrangements and has asked his Statutory Officers, together with the Head of Internal Audit to continue with the review of the corporate governance arrangements, designed to assess and monitor:

- Code of Corporate Governance
- Review of the System of Internal Control
- Performance / Assurance Protocols and associated information
- Production of the Annual Governance Statement

- **The Joint Audit Committee**

The Commissioner's and Chief Constable's Joint Audit Committee is responsible, on behalf of both Corporations Sole, to:

- Advise the Commissioner and the Chief Constable according to good governance principles.
- Provide independent assurance on the adequacy and effectiveness of the Commissioner's and Chief Constable's internal control environment and risk management framework.
- Oversee the effectiveness of the framework in place for ensuring compliance with statutory requirements.
- Independently scrutinise financial and non-financial performance to the extent that it affects the Commissioner's and Chief Constable's exposure to risks and weakens the internal control environment.
- Oversee the financial reporting process and consider the arrangements to secure value for money
- Ensure the Force is implementing agreed actions resulting from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspections.

The Terms of Reference of the Committee, encompasses and reflects these duties by defining that they:

- Be the conduit through which the Governance work is channelled.
- Provide assurance on risk management arrangements on behalf of the Commissioner.
- Recommend approval of the Statutory Accounts of the Commissioner and Chief Constable.

To ensure that it is ably qualified, assessments of its abilities in line with best practice are undertaken confirming that the Committee is well suited and equipped for such responsibilities. Members of the Committee will undergo regular training when required to ensure the Committee is effective in its role in advising the Commissioner and the Chief Constable.

- **Internal and Audit**

The system of Internal Audit is a primary tenet of corporate governance and is the joint responsibility of the Commissioner and Chief Constable. The provision and maintenance of an effective Joint Internal Audit Service, has been delegated to the Chief Finance Officer (CFO). The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs.



The standards of Internal Audit are assessed against the Public Sector Internal Audit Standards (PSIAS) and an external assessment of Internal Audit against the PSIAS standards was undertaken in 2017-18. The results of the assessment were positive and the service continues to undertake a self-assessment against the standards on an annual basis with the results reported to the Joint Audit Committee.

During 2019-20 Internal Audit has continued the approach of concentrating on the major risks faced by the PCC and the Force. This revised approach has allowed the Commissioner to have increased confidence in the governance, risk management and control processes. In the construction of the Internal Audit plan for the year ahead, consultation has taken place with senior managers to ensure the areas of greatest risk are prioritised. The plan in 2020-21 will be subject to revisions as a result of COVID-19 and other changes in the risk profiles of the organisations.

- **The Corporate Governance Working Group**

A joint Corporate Governance Working group has been established with West Midlands Police to provide advice to the Commissioner and the Chief Constable on the application of the statutory requirements and guidance relating to corporate governance. The group will also provide feedback on the effectiveness of the corporate governance systems.

- **Police and Crime Panel**

The West Midlands Police and Crime Panel (WMPCP) scrutinises the work of the Commissioner. The Panel acts as a critical friend to the Commissioner - assisting him through independent challenge.

The Panel has a number of powers and responsibilities, including:

- Reviewing the draft Police and Crime Plan to ensure local priorities have been considered
- Scrutinising the Commissioner's Annual Report
- Scrutinising the decisions and actions of the Commissioner
- Reviewing, and potentially vetoing, the Commissioner's proposed policing precept (the part of Council Tax collected for policing)
- Holding confirmation hearings for the proposed appointment of a Chief Constable, Deputy Police and Crime Commissioner and senior support staff

- **West Midlands Police Change Programme**

A comprehensive change programme has been undertaken across West Midlands Police called WMP2020. The change programme included the development and introduction of a Target Operating Model (TOM). Many systems and processes have changed across the Force to ensure it remains efficient and continues to improve services to the public across the West Midlands. Certain systems continue to be introduced as part of the original change programme and the Force continues to improve. The change programme has inevitably resulted in changes to some existing governance arrangements, and poses new challenges for the Commissioner in holding the Chief Constable to account. To manage the WMP2020 programme governance arrangements have been put in place to make sure the Commissioner has effective oversight of the project. These arrangements include:-

- (i) Members of the Commissioner's office and the Strategic Policing and Crime Board participating in the following boards:
  - Organisational Change Board
  - Design Authority

This ensures the Commissioner is well sighted on the delivery of WMP2020 and ensures the programme is in line the priorities of the Police and Crime Plan.

- (ii) Members of the Commissioner's office and the Strategic Policing and Crime Board are embedded in schemes at programme and project levels.

The continued significant changes to ICT infrastructure, organisational structure and procedures and the Corporate Estate, requires continued programme management. These are overseen by the Organisational Change Board and individual project boards.

Alongside other changes the Commissioner continues to be responsible for the direct and indirect commissioning of services.

## 6 Collaborative Working

The Commissioner has in place a number of collaborative arrangements to deliver services in conjunction with both national and neighbouring Police and Crime Commissioners. These include:-

- A collaboration agreement in place for the counter-terrorism policing network that will be taking responsibility for Special Branch services from regional forces.
- The Commissioner is the chair of the National Counter Terrorism Strategic Board, which supports the governance of counter-terrorism policing nationally.
- The National Ballistics Intelligence Service (NABIS) where the West Midlands Police is the co-host force. The arrangement also being subject to a collaboration agreement and the Commissioner is represented on the NABIS governing board.
- The West Midlands Regional Organised Crime Unit (ROCU) is the subject of a four-force collaboration agreement (Staffordshire, Warwickshire, West Mercia and West Midlands). The future governance arrangements of the ROCU are likely to be impacted by Sir Craig Mackey's review of serious and organised crime.
- The West Midlands Violence Reduction Unit which was launched in 2019 and involved WMP, health and education professionals to work together to understand the causes of serious violence in the West Midlands and agreeing a co-ordinated response.
- A West Midlands wide Community Safety Partnership enabling crime reduction activities to be commissioned more effectively and efficiently.
- A shared Complaints Review Manager resource with Warwickshire's Police and Crime Commissioner. This post will review complaints against police officers on behalf of the Commissioner.
- A regional approach in the introduction and operation of the Police Education Qualification Framework.
- A bilateral collaboration with Warwickshire Police and Crime Commissioner where West Midlands Police are delivering a range of services to the Warwickshire Police.
- The Regional Criminal Justice Forum which is a collaborative partnership between PCCs, forces and criminal justice colleagues across the West Midlands, designed to address cross cutting themes and issues that are affecting all four areas.

For the arrangements detailed above, governance is conducted in compliance with the relevant collaboration agreements. Also collaborative working is supported by the appointment of two Regional Policy Officers working with the four West Midlands regional forces.

There is also a two-force Central Motorway Policing Group arrangement in place between Staffordshire and West Midlands.

The Commissioner is also a signatory to the National Police Air Service (NPAS) collaboration agreement and is working with regional PCCs to develop appropriate and proportionate oversight. The future governance of NPAS is likely to be affected by a national review of police air support.

There are further collaborative arrangements that may come into effect through national programmes. This includes the specialist capabilities programme.

Through working with the West Midlands Combined Authority the Commissioner is collaborating on a wide range of issues this includes mental health and youth offending services.

The Commissioner is also in collaboration with other bodies this includes West Midlands Fire Service and local councils through the estates programme where policing is being delivered in shared buildings.

## **7 Significant Governance Issues**

Significant governance issues are defined as:

- An issue which has prevented or seriously prejudiced achievement of a principal objective
- An issue where additional funding has had to be sought in order to resolve it
- An issue which has resulted in a material impact on the accounts
- An issue which the Head of Internal Audit has specifically highlighted in the annual audit opinion
- An issue which has attracted significant public interest and has damaged the reputation of the Commissioner
- An issue which has resulted in formal action being taken by the Chief Finance Officer and/or the Monitoring Officer.

A significant issue that occurred during 2020 is the outbreak of the Coronavirus across the world. This led to the Commissioner introducing an emergency chapter in the police and crime plan. This covers the following objectives:-

- Ensuring West Midlands Police responds efficiently and effectively to COVID-19, and works in partnership to protect the public of the West Midlands.
- Protecting the organisational health of West Midlands Police, so it not only responds to the national emergency effectively, but recovers and returns to normality as quickly as possible.
- Lead and support the partnership response to the national emergency.
- Ensuring the Office of the Police and Crime Commissioner does all it can to effectively respond to the national emergency, commissioning services that mitigate its effect and support the return to normality.

The Commissioner has put structures in place to ensure the above objectives are being delivered during COVID-19. This includes a comprehensive delivery plan supporting the objectives and meetings of the Strategic Policing and Crime Board where the Force has been held to account on the delivery of the plan.

Internal Audit completed a follow up review of Sex Offender Management at WMP during 2019-20. Further scrutiny to the service was also presented to the Commissioner's Board in January 2020 on the lessons learnt into a recent tragic case involving a convicted sex offender. The Force are implementing the recommendations to improve the management of sex offenders and this is being monitored by Internal Audit.

The Commissioner has continued to hold the Chief Constable to account where reductions in funding have had potential impact on business as usual activities of the Force. This has included areas such as the Force's Response Service and Force Contact. Reductions of funding have coincided with recent increases in violent crime, where again the Commissioner has held the Chief Constable to account.

During 2018-19, Internal Audit reported on weaknesses in the legacy systems of West Midlands Police. These systems continue to be replaced over the next year which will resolve these weaknesses and Internal Audit are undertaking regular follow ups.

The Commissioner is sighted on any significant issues arising from the work of Internal Audit and will, where necessary, question the Chief Constable on any actions being taken to address the issues raised.

## **8 Delivering the Police and Crime Plan 2016-2020**

During 2020-21 work will continue to deliver the Police and Crime Plan 2016-2020, including the emergency chapter for COVID-19. The detailed delivery plan to support the Police and Crime Plan is monitored by senior managers within the Commissioner's office on a regular basis. The delivery of the Police and Crime Plan assists the Commissioner to secure and maintain efficient and effective policing services across the West Midlands. The Commissioner will continue to work with West Midlands Police in the delivery of the Force's strategies and plans.

The Commissioner's delivery plan is aligned to the risk register and acts as an action plan for the achievement of the Commissioner's priorities.

## **9 Issues Raised in Previous Year's Annual Governance Statements**

The Commissioner's Annual Governance Statement of the 31<sup>st</sup> March 2019 included the continued implementation of the WMP2020 programme to ensure the Force operates efficiently and effectively within limited resources. The implementation of Force systems as part of the change programme has continued during 2019/20. Work will continue to ensure the benefits of these systems are maximised which includes cashable and non-cashable benefits. The achievement of the overall WMP2020 benefits will continue to be monitored and reported to the Commissioner through the Organisational Change Board.

The Commissioner has continued to hold WMP to account in relation to areas that have witnessed high demands for service. This includes Force Response and the Contact Centre. The Police Officer Uplift programme will provide more resources to the Force and help in these areas. Also the violence reduction initiatives such as Surge funding and the Violence Reduction Unit will assist in the reduction of violent crime.

Internal Audit have completed follow-up work during 2019/20 to monitor improvements being made across the Force and Commissioner's office in relation to the General Data Protection Regulations (GDPR). Improvements have been made in this area and Internal Audit consider aspects of GDPR routinely in their reviews where appropriate. In addition, the Force has introduced new procedures and processes in the management of data across the organisation. Also Internal Audit sit on both the Information Assurance Working Group and the Strategic Information Management Board where GDPR and wider information management issues are discussed and monitored.

## **10 Future Developments**

Looking forward there are several initiatives that will potentially impact on the role and remit of the Commissioner that may require governance arrangements to be amended. These include:-

- The continued impacts of COVID-19 on policing the West Midlands. This includes any immediate impacts and how the area recovers from the pandemic.
- The impacts on COVID-19 on the public of the West Midlands this includes the social and economic consequences of the disease.
- Further collaborative working with police forces in areas such as serious and organised crime, counter terrorism, roads policing and uniformed operations, with a concurrent requirement to develop effective collaborative governance arrangements based on formal collaboration agreements.
- The continued operation of the West Midlands Violence Reduction Unit.
- The outcome of the postponed Comprehensive Spending Review and the impacts on funding for the policing of the West Midlands.
- The future implementation of a revised funding formula for policing will have implications on the level of resources available for policing services across the West Midlands.

- Impacts on policing from the United Kingdom's exit from the European Union.
- The risks associated with achieving the police officer Uplift programme targets and ensuring the extra officers are deployed in priority areas across the Force.
- The increasing role of PCCs in the Criminal Justice System, particularly following the new national policy for probation services.
- The potential for national policing performance targets set by the National Policing Board, as these may cut across.
- The continued implementation of an Estates strategy that was approved in March 2018. This includes the investment in new facilities and releasing vacant properties.
- Commonwealth Games in 2022 and Coventry's City of Culture, including the Force's preparation for policing these events.
- Working with the West Midlands Combined Authority on joint projects to assist in the prevention of crime in the West Midlands.
- The duty to cooperate across police, fire and ambulance services.
- Future change programmes that will improve further the efficiency of West Midlands Police.

## **11 Monitoring the Implementation of Actions**

The systems the Commissioner has in place to monitor the implementation of the Police and Crime Plan through the delivery plan and the risk register will ensure activities detailed in this statement are implemented. Progress of the implementation of actions will be reported in next year's Annual Governance Statement.

**Signed**

*D Jamieson*

David Jamieson  
Police and Crime Commissioner West Midlands

*J Jardine*

Jonathan Jardine  
Head of Paid Staff, West Midlands Police and Crime Commissioner

*M Kenyon*

Mark Kenyon  
Chief Finance Officer, West Midlands Police and Crime Commissioner

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER TO THE POLICE AND CRIME COMMISSIONER**

The Chief Finance Officer to the PCC is responsible for the preparation of the PCCWM Statement of Accounts and Group Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to give a true and fair view of the financial position of the PCCWM and Group at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing this Statement of Accounts, the Chief Finance Officer to the PCC has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the CIPFA IFRS Code of Practice on Local Government Accounting.

The Chief Finance Officer to the PCC has also:

- ensured that proper accounting records were kept and are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **CHIEF FINANCE OFFICER TO THE POLICE AND CRIME COMMISSIONER'S CERTIFICATE**

In accordance with regulation 9 of the Account and Audit Regulations 2015, I certify that the Statement of Accounts presents a true and fair view of the consolidated financial position of the Police and Crime Commissioner of the West Midlands as at 31 March 2020 and its income and expenditure for the year then ended.

Mark Kenyon CPFA  
Chief Finance Officer to the Police and Crime Commissioner  
Date: 30 November 2020

## **THE RESPONSIBILITIES OF THE POLICE AND CRIME COMMISSIONER FOR THE WEST MIDLANDS**

The PCCWM is required:

- to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has the responsibility for the administration of those affairs. In the PCCWM that officer is the Chief Finance Officer to the PCC.
- to manage their affairs to secure economic, efficient and effective use of resources and safeguard their assets.
- to approve the Statement of Accounts.

## **POLICE AND CRIME COMMISSIONER'S CERTIFICATE**

I certify that the Statement of Accounts have been certified by the responsible financial officer and approved by the Police and Crime Commissioner for the West Midlands on 30 November 2020, in accordance with regulation 9 of the Accounts and Audit Regulations 2015.

David Jamieson  
Police and Crime Commissioner for the West Midlands  
Date: 30 November 2020

**Independent auditor's report to the Police and Crime Commissioner for the West Midlands**

**Report on the Audit of the Financial Statements**







## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement on Reserves Statement. The statement shows the net cost for the year presented as this is reported internally and demonstrates how that cost has been financed from general Government Grants and income from local taxpayers. The statement includes other recognised gains and losses of the PCCWM during the year showing total Comprehensive Income and Expenditure of the PCCWM and Group. The PCCWM has produced a subjective analysis of the net cost of General Fund services in note 8 to the Accounts.

2018-19 gross expenditure £'000	2018-19 gross income £'000	2018-19 net expenditure £'000	GROUP	Note	2019-20 gross expenditure £'000	2019-20 gross income £'000	2019-20 net expenditure £'000
1,051,664	(85,466)	966,198	Chief Constable		835,841	(105,633)	730,208
24,589	(5,467)	19,121	Policing Services		14,122	(3,085)	11,037
			<b>WMP 2020 Projects</b>				
2,663	(48)	2,615	Police and Crime Commissioner		2,677	(36)	2,641
10,855	(4,203)	6,653	Office of the PCC		15,099	(8,360)	6,739
<b>1,089,771</b>	<b>(95,184)</b>	<b>994,587</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>867,739</b>	<b>(117,113)</b>	<b>750,626</b>
0	(127)	(127)	Net (gain)/loss on disposal		0	(648)	(648)
2,792	0	2,792	Interest Payable and Similar Charges		3,568	0	3,568
0	(1,166)	(1,166)	Interest and Investment Income		0	(1,477)	(1,477)
194,442	0	194,442	Pension Net Interest Cost	19	205,579	0	205,579
<b>197,234</b>	<b>(1,293)</b>	<b>195,941</b>	<b>Financing and Investment Income and Expenditure</b>		<b>209,147</b>	<b>(2,125)</b>	<b>207,022</b>
<b>1,287,005</b>	<b>(96,478)</b>	<b>1,190,527</b>	<b>NET OPERATING EXPENDITURE</b>		<b>1,076,887</b>	<b>(119,238)</b>	<b>957,648</b>
0	(110,669)	(110,669)	Council Tax Payer		0	(127,607)	(127,607)
0	(247,320)	(247,320)	Police Grant	14	0	(259,664)	(259,664)
0	(177,751)	(177,751)	DCLG Grant	14	0	(181,298)	(181,298)
0	(105,920)	(105,920)	Pensions Top Up Grant Receivable		0	(89,347)	(89,347)
0	(7,922)	(7,922)	Non-Specific Government Grants		0	(8,635)	(8,635)
<b>0</b>	<b>(649,582)</b>	<b>(649,582)</b>	<b>Taxation and non-specific grant income</b>		<b>0</b>	<b>(666,551)</b>	<b>(666,551)</b>
<b>1,287,005</b>	<b>(746,060)</b>	<b>540,945</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>1,076,887</b>	<b>(785,790)</b>	<b>291,097</b>
		<b>(3,637)</b>	(Surplus)/Deficit on the revaluation of fixed assets				<b>(78)</b>
		<b>354</b>	Movement in Pooled investment Funds				<b>166</b>
		<b>191,966</b>	Re-measurement of the net defined benefit liability	19			<b>(734,482)</b>
		<b>188,683</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(734,394)</b>
		<b>729,628</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(443,297)</b>

The actuarial movements are due to changes in the discount rate at which pensions are paid and in CPI Inflation and salary assumptions which for 2019-20 will reduce the liability for active members of the scheme.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – PCC

2018-19 gross expenditure £'000	2018-19 gross income £'000	2018-19 net expenditure £'000	PCC	Notes	2019-20 gross expenditure £'000	2019-20 gross income £'000	2019-20 net expenditure £'000
2,663	(48)	2,615	Office of the PCC		2,677	(36)	2,641
10,855	(4,203)	6,653	Commissioned Services		15,099	(8,360)	6,739
<b>13,519</b>	<b>(4,251)</b>	<b>9,268</b>	<b>Total Cost of Services</b>		<b>17,776</b>	<b>(8,396)</b>	<b>9,381</b>
<b>645,425</b>	<b>(90,933)</b>	<b>554,492</b>	<b>PCC funding to the CC for financial resources consumed</b>		<b>667,247</b>	<b>(108,718)</b>	<b>558,529</b>
<b>658,944</b>	<b>(95,184)</b>	<b>563,760</b>	<b>NET COST - GENERAL FUND SERVICES</b>		<b>685,023</b>	<b>(117,114)</b>	<b>567,910</b>
0	(127)	(127)	Net (gain)/loss on disposal		0	(648)	(648)
2,792	0	2,792	Interest Payable and Similar Charges		3,568	0	3,568
0	(1,166)	(1,166)	Interest and Investment Income		0	(1,477)	(1,477)
55	0	55	Pension Interest Cost and expected return on assets	19	60	0	60
<b>2,847</b>	<b>(1,293)</b>	<b>1,554</b>	<b>Financing and Investment Income and Expenditure</b>		<b>3,623</b>	<b>(2,125)</b>	<b>1,498</b>
<b>661,791</b>	<b>(96,477)</b>	<b>565,313</b>	<b>NET OPERATING EXPENDITURE</b>		<b>688,651</b>	<b>(119,239)</b>	<b>569,413</b>
0	(110,669)	(110,669)	Council Tax Payer		0	(127,607)	(127,607)
0	(247,320)	(247,320)	Police Grant	14	0	(259,664)	(259,664)
0	(177,751)	(177,751)	DCLG Grant	14	0	(181,298)	(181,298)
105,920	(105,920)	0	Pensions Top Up Grant Receivable (paid to CC)		89,347	(89,347)	0
0	(7,922)	(7,922)	Non-Specific Government Grants		0	(8,635)	(8,635)
<b>105,920</b>	<b>(649,582)</b>	<b>(543,662)</b>	<b>Taxation and non-specific grant income</b>		<b>89,347</b>	<b>(666,551)</b>	<b>(577,204)</b>
<b>767,711</b>	<b>(746,059)</b>	<b>21,651</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>777,998</b>	<b>(785,790)</b>	<b>(7,792)</b>
	(3,637)		(Surplus)/Deficit on the revaluation of fixed assets				(78)
	354		Movement in Pooled investment Funds				166
	(30)		Re-measurement of the net defined benefit liability	19			22
	(3,313)		<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>110</b>
	<b>18,338</b>		<b>Total Comprehensive Income and Expenditure</b>				<b>7,682</b>

The PCC funding to the Chief Constable is shown as expenditure in the PCC's accounts and income in the Chief Constable's accounts as this represents the transfer of resources to the Chief Constable to allow him to carry out effective police services. The PCC also receives income on behalf of the Chief Constable which again is transferred to the Chief Constable where this relates to policing activities.

## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year of the different reserves held by the Group analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and Other Reserves. The (surplus) or deficit on the Provision of Services line shows the true economic cost of providing the Groups services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Group.

	Revenue	Capital		Total Reserves				
	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000	Group's share of reserves of CCWMP £'000	Total PCC Reserves £'000
<b>Balance at 31 March 2018</b>	(85,339)	(13,058)	(1,484)	(99,881)	7,507,674	7,407,793	(7,644,331)	(236,538)
<b>Movements in Reserves during 2018/19</b>								
<b>Total Comprehensive Income and Expenditure</b>	540,945	0	0	540,945	188,683	729,628	(711,290)	18,338
Adjustments between accounting and funding basis under regulations	(515,043)	9,811	(1,969)	(507,201)	507,201	0	0	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	25,902	9,811	(1,969)	33,744	695,884	729,628	(711,290)	18,338
Transfer to/from Earmarked Reserves	1,176	0	0	1,176	(1,176)	0	0	0
Increase/Decrease during the year	27,078	9,811	(1,969)	34,920	694,708	729,628	(711,290)	18,338
<b>Balance as at 31 March 2019 carried forward</b>	(58,261)	(3,247)	(3,453)	(64,961)	8,202,382	8,137,420	(8,355,620)	(218,200)
<b>Movements in Reserves during 2019/20</b>								
<b>Total Comprehensive Income and Expenditure</b>	291,057	0	0	291,057	(734,394)	(443,297)	435,615	(7,682)
Adjustments between accounting and funding basis under regulations	(292,970)	(3,097)	2,561	(293,506)	293,506	0	0	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	(1,873)	(3,097)	2,561	(2,409)	(440,888)	(443,297)	435,615	(7,682)
Transfer to/from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease during the year	(1,873)	(3,097)	2,561	(2,409)	(440,888)	(443,297)	435,615	(7,682)
<b>Balance as at 31 March 2020 carried forward</b>	(60,134)	(6,344)	(892)	(67,390)	7,761,493	7,694,123	(7,920,004)	(225,881)

The adjustments between accounting and funding basis under regulations are shown in detail in note 26.

The balances carried forward for usable and unusable reserves are shown on the lower half of the Balance Sheet on page 37.

## PCC MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year of the different reserves held by the PCC analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and Other Reserves. The (surplus) or deficit on the Provision of Services line shows the true economic cost of providing the PCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCC.

	Revenue		Capital		Total Reserves			
	General Fund £'000	Earmarked Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total PCC Reserves £'000
<b>Balance at 31 March 2018</b>	(6,087)	(73,297)	(79,384)	(13,057)	(1,484)	(93,926)	(142,612)	(236,538)
<b>Movements in Reserves during 2018/19</b>								
Total Comprehensive Income and Expenditure	21,651	0	21,651	0	0	21,651	(3,313)	18,338
Adjustments between accounting and funding basis under regulations	1,258	0	1,258	9811	(1,969)	9,100	(9,100)	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>22,909</b>	<b>0</b>	<b>22,909</b>	<b>9811</b>	<b>(1,969)</b>	<b>30,751</b>	<b>(12,413)</b>	<b>18,338</b>
Transfer to/from Earmarked Reserves	(25,902)	27,078	1,176	0	0	1,176	(1,176)	0
Increase/Decrease during the year	(2,993)	27,078	24,085	9811	(1,969)	31,927	(13,589)	18,338
<b>Balance as at 31 March 2019 carried forward</b>	<b>(9,080)</b>	<b>(46,219)</b>	<b>(55,299)</b>	<b>(3,246)</b>	<b>(3,453)</b>	<b>(61,999)</b>	<b>(156,201)</b>	<b>(218,200)</b>
<b>Movements in Reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure	(7,792)	0	(7,792)	0	0	(7,792)	110	(7,682)
Adjustments between accounting and funding basis under regulations	2,957	0	2,957	(3,097)	2,561	2,421	(2,421)	0
<b>Net increase or decrease before transfer to earmarked reserves</b>	<b>(4,835)</b>	<b>0</b>	<b>(4,835)</b>	<b>(3,097)</b>	<b>2,561</b>	<b>(5,371)</b>	<b>(2,311)</b>	<b>(7,682)</b>
Transfer to/from Earmarked Reserves	1,873	(1,873)	0	0	0	0	0	0
Increase/Decrease during the year	(2,962)	(1,873)	(4,835)	(3,097)	2,561	(5,371)	(2,311)	(7,682)
<b>Balance as at 31 March 2020 carried forward</b>	<b>(12,042)</b>	<b>(48,092)</b>	<b>(60,134)</b>	<b>(6,343)</b>	<b>(892)</b>	<b>(67,370)</b>	<b>(158,511)</b>	<b>(225,881)</b>

## GROUP AND PCC BALANCE SHEET

	Notes	PCC as at 31 March 2019 £'000	Group as at 31 March 2019 £'000	PCC as at 31 March 2020 £'000	Group as at 31 March 2020 £'000
<b>Operational Assets:</b>					
Land and Buildings	28	159,006	159,006	151,628	151,628
Vehicles, Plant, Furniture and Equipment	28	21,115	21,115	25,469	25,469
<b>Non Operational Assets:</b>					
Assets Under Construction	28	12,672	12,672	38,660	38,660
<b>Heritage Assets</b>					
<b>Intangible Assets: (Software)</b>					
	32	11,347	11,347	11,544	11,544
		<b>204,325</b>	<b>204,325</b>	<b>227,487</b>	<b>227,487</b>
Long-term Investments	35	25,861	25,861	9,579	9,579
Long-term Debtors	36	950	950	752	752
<b>Long-Term Assets</b>					
		<b>231,137</b>	<b>231,137</b>	<b>237,818</b>	<b>237,818</b>
Short term investments	35	61,214	61,214	46,272	46,272
Inventory	38	590	590	498	498
Short Term Debtors	39	68,604	68,604	64,902	64,902
Assets held for sale (< 1 year)	41	1,530	1,530	2,870	2,870
Cash and Cash equivalents	40	8,437	8,437	29,663	29,663
<b>Current Assets</b>					
		<b>140,375</b>	<b>140,375</b>	<b>144,204</b>	<b>144,204</b>
Short-term borrowing	34	(1,968)	(1,968)	(4,332)	(4,332)
Bank Overdraft	40	(1,405)	(1,405)	(448)	(448)
Short-term Creditors	42	(58,557)	(58,557)	(48,376)	(48,376)
Accumulated Absences	44	0	(3,255)	0	(3,718)
Provisions	21	(1,050)	(1,050)	(897)	(897)
<b>Current Liabilities</b>					
		<b>(62,980)</b>	<b>(66,236)</b>	<b>(54,054)</b>	<b>(57,771)</b>
Capital Long-Term Borrowing	34	(87,863)	(87,863)	(99,223)	(99,223)
Pensions Liability	19	(2,469)	(8,354,834)	(2,864)	(7,919,151)
<b>Long-Term Liabilities</b>					
		<b>(90,332)</b>	<b>(8,442,697)</b>	<b>(102,087)</b>	<b>(8,018,374)</b>
<b>Net Assets:</b>					
		<b>218,200</b>	<b>(8,137,420)</b>	<b>225,881</b>	<b>(7,694,123)</b>
<b>Usable Reserves:</b>					
Usable Capital Receipts Reserve	26	(3,247)	(3,247)	(6,344)	(6,344)
Other Earmarked Reserves	27	(40,999)	(40,999)	(38,960)	(38,960)
General Fund Reserves	27	(9,080)	(12,042)	(12,042)	(12,042)
Budget Reserve	27	(5,220)	(5,220)	(9,133)	(9,133)
Capital Grants Unapplied	26	(3,453)	(3,453)	(892)	(892)
<b>Unusable Reserves:</b>					
Capital Adjustment Account	44	(123,296)	(123,296)	(130,325)	(130,325)
Revaluation Reserve	44	(32,944)	(32,944)	(30,354)	(30,354)
Pensions Reserve	19	2,469	8,357,796	2,864	7,919,151
Deferred Capital Receipts	36	(950)	(950)	(752)	(752)
Pooled Investment Funds Adjustment Acct	44	354	354	520	520
Collection Fund Adjustment Account	44	(1,833)	(1,833)	(555)	(555)
Accumulated Compensated Absences	44	0	3,255	0	3,717
Account					
<b>Total Reserves:</b>					
		<b>(218,200)</b>	<b>8,137,420</b>	<b>(225,881)</b>	<b>7,694,123</b>

The Balance Sheet above shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCCWM. The net assets of the PCCWM (assets less liabilities) are matched by the reserves held by the PCCWM. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the PCCWM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

## GROUP AND PCC CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCCWM during the reporting period. As the CCWMP does not handle cash transactions, the Group and PCCWM Cash flow statements include the same entries. The statement shows how the PCCWM generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCCWM are funded by way of taxation and grant income or from the recipients of services provided by the PCCWM. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCCWM's future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCCWM.

As at 31 March 2019 £'000		Note	As at 31 March 2020 £'000
<u>Operating Activities</u>			
<u>EXPENDITURE</u>			
515,154			537,732
133,808			144,070
2,792			3,568
<b>651,754</b>			<b>685,370</b>
<u>INCOME</u>			
(110,669)			(127,607)
(177,751)			(181,298)
(323,471)			(355,387)
(29)			(23)
(1,166)			(1,477)
(32,020)			(33,704)
<b>(645,106)</b>			<b>(699,498)</b>
<b>6,647</b>	<b>Net cash flows from operating activities</b>		<b>(14,128)</b>
<u>Investing activities</u>			
<u>EXPENDITURE</u>			
31,462			39,608
(3,310)			0
<b>28,152</b>			<b>39,608</b>
<u>INCOME</u>			
(1,671)			(2,933)
14,986			(31,059)
<b>13,315</b>			<b>(33,992)</b>
<b>41,467</b>	<b>Net cash flows from investing activities</b>		<b>5,616</b>
<u>Financing activities</u>			
(35,000)	Cash receipts of short and long term borrowing		(15,000)
669	Repayments of short and long term borrowing		1,286
42	Other Payments for Financing Activities		43
<b>(34,289)</b>	<b>Net cash flows from financing activities</b>		<b>(13,671)</b>
<b>13,826</b>	Net (increase)/decrease in cash and cash equivalents	45	<b>(22,183)</b>
<b>20,858</b>	Cash and cash equivalents at the beginning of the reporting period	46	<b>7,032</b>
<b>7,032</b>	Cash and cash equivalents at the end of the reporting period	46	<b>29,214</b>

<b>NOTES TO THE ACCOUNTS</b>	<b>PAGE REF</b>
1. Statement of Accounting Policies	41
2. Accounting standards that have been issued but have not yet been adopted	52
3. Critical judgements in applying accounting policies	52
4. Assumption made about the future and other major sources of estimation uncertainty	53
5. Events after the Balance Sheet date	53
 <b>NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	
6. Expenditure and Funding Analysis	54
7. Note to the Expenditure and Funding Analysis	55
8. Subjective analysis of the net cost of Police services	56
9. Collaborative Working expenditure	57
10. Employee remuneration	58
11. Senior officers remuneration	59
12. Termination benefits	62
13. External Audit costs	63
14. Grant income	63
15. Related party transactions	64
16. Members Allowances	64
17. Capital expenditure and capital financing	65
18. Leases	65
19. Defined benefit pension schemes	66
20. Discretionary pension payments	75
21. Provisions	75
22. Contingent Liabilities and Assets	76
23. Police Property Act fund	76
24. Trust funds	76
25. Proceeds of Crime Act 2002 account	76
 <b>NOTES TO THE MOVEMENT IN RESERVES STATEMENT</b>	
26. Adjustments between accounting basis and funding basis under regulations	77
27. Transfers to/from earmarked reserves	81
 <b>NOTES TO THE BALANCE SHEET</b>	
28. Property, Plant and Equipment – movement on balances	82
29. Heritage Assets	84
30. Future Capital Commitments	84
31. Statement of physical assets	84
32. Intangible assets	85
33. Financial instruments	85
34. Long term borrowing	87
35. Long and short term investments	88
36. Long term debtors	88
37. Management of risk associated with financial instruments	89
38. Inventories	91
39. Short term debtors	91
40. Cash and cash equivalents	92
41. Assets held for sale	92
42. Short term creditors	92
43. Usable reserves	92
44. Unusable reserves	93

## **NOTES TO THE CASH FLOW STATEMENT**

45. Reconciliation of net cash inflow to the movement in net funds	97
46. Movement in cash and cash equivalents	97

## **JOINT OPERATIONS**

47. Central Motorway Police Group	98
48. West Midlands Regional Organised Crime Unit	99

## **POLICE PENSION FUND ACCOUNT**

Notes to the Police Pension Fund Account	100
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## **GLOSSARY OF TERMS**

102
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# **NOTES TO THE ACCOUNTS**

## **1. STATEMENT OF ACCOUNTING POLICIES**

### **General Principles**

The Statement of Accounts summarises the Group and PCC's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The Commissioner is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The policies below reflect the powers and responsibilities of the Police and Crime Commissioner as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012.

### **a. Property, Plant and Equipment**

#### **Recognition**

Assets that have physical substance and are held for use in the supply of police services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. These Non-Current Assets are disclosed in the Balance Sheet at current value based on valuation. The cost of an item of Property, Plant and Equipment is recognised where it is probable that the future economic benefits or service potential associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Assets made up of a number of components with significantly different economic lives have been reviewed to identify if these components should be treated as separate assets and depreciated over their own useful economic lives per the requirements of the CIPFA code of practice on Local Authority Accounting in the United Kingdom 2019-20. It has been determined that such treatment does not make a material difference to the values of the Group's assets and component accounting of these assets has not been applied in 2019-20. This approach will be reviewed each year but is not expected to apply to buildings as replacement items are generally purchased from revenue budgets.

Items of capital expenditure with values below £5,000 which do not form part of a combined asset for a single purpose will be considered de minimis and will not be recorded as a non-current asset.

#### **Measurement**

All property, plant and equipment assets will be measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Where Assets are still under construction at the Balance Sheet date these will be held at Historical Cost and will not be subject to depreciation.

Assets will be reviewed for impairment at the end of each reporting period.

Property assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years. Revaluation gains will be recognised in the Revaluation Reserve unless they reverse a previous Revaluation loss. All Revaluation losses on revalued assets will be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Thereafter revaluation losses will be recognised in the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure

Statement. No distinction will be made between losses due to the clear consumption of economic benefit and those due to a general fall in prices specific to the asset.

Where there is no active market because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Any surplus assets held by the Group will be valued at fair value, estimated at highest and best use from a market participant's perspective.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Valuation**

Freehold, leasehold and residential properties which the Group includes in its property portfolio were valued in December 2018 by Savills (Property Agents) in accordance with the statements of asset valuation practice and guidance notes of the Royal Institution of Chartered Surveyors. Property and the associated land will be revalued at intervals no greater than five years. Buildings are written down over their useful lives as provided at valuation. Revalued assets have been valued at current value based on Existing Use Value in accordance with International Financial Reporting Standards or Depreciated Replacement cost for specialised assets.

Plant and machinery is included in the valuation of the building in which it is located. ICT and General Equipment is valued at depreciated historic cost as a proxy for fair value as the assets are written down to give a useful life of less than five years. Vehicle lives are set when purchased as between three and ten years to reflect the proposed use for the vehicle.

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives with the exception of freehold land and assets under construction. Depreciation is calculated on a straight line allocation over the useful life of the property or equipment.

Asset category	Min Asset Life (years)	Max Asset life (years)
Buildings	5	75
Vehicles, IT & Equipment	3	10
Intangibles	2	20

## **b. Intangible Assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Group's business or which arise from contractual or other legal rights where expenditure of at least £5,000 is incurred. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the Group and where the cost of the asset can be measured reliably.

#### *Internally generated intangible assets*

Internally generated goodwill, brands, publishing titles, mastheads and similar items are not capitalised as intangible assets.

Expenditure on development of an intangible asset will only be capitalised where all the following can be demonstrated:

- The project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- The Group intends to develop the asset and sell or use it;
- The Group has the ability to sell or use the asset;
- The asset will demonstrate probable future economic benefits or service benefits;
- Adequate financial, technical or other resources are available to the Group to complete the development and sell or use the asset; and
- The Group can reliably measure the expenses attributable to the asset during its development.

#### **Software**

Software which is integral to the operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware (e.g. application software) is capitalised as an intangible asset.

### **Measurement**

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point where it is capable of operating in the manner intended by management. If an active market arises for any internally generated intangible assets these would then be valued at fair value.

### **Amortisation**

Intangible assets are amortised over their expected useful economic life in a manner consistent with the consumption of economic or service benefits. The amortisation periods for intangible assets are, in general, three years for software licences and ten years for internally developed software.

## **c. Assets Held for Sale**

Non-current assets held for sale will be measured at the lower of their carrying value and fair value less costs to sell at initial reclassification and at 31 March each year. Assets held for sale from 1 April 2009 must satisfy strict criteria to be classified as held for sale. That is, the asset must be available for immediate sale in its present condition, the sale must be highly probable and the asset must be actively marketed for sale at a reasonable price in relation to its current fair value. Usually the sale should be expected to be completed within one year and the assets will be reclassified as Current Assets within the Balance Sheet.

#### **d. Intra-group funding arrangements and cost recognition**

The Chief Constable recognises the costs of salaries of police officers, police community support officers and police staff with the exception of those staff working in the Office for Policing and Crime (OPCC). There is no transfer of real cash between the PCC and Chief Constable and the latter does not have a bank account into which monies can be received or paid from. Costs are recognised in the Chief Constable's Accounts to reflect the PCC's resources consumed in the direction and control of day-to-day policing at the request of the Chief Constable. The Accounts reflect the ownership of the assets by the Police and Crime Commissioner. The Chief Constable recognises the employment and post-employment costs and liabilities of all staff under his direction and control in his Accounts. The PCC recognises the employment and post-employment costs of the staff under his direction and control in his accounts. To fund these costs and liabilities the Chief Constable's Accounts show as income a transfer of resources from the PCC to the Chief Constable for the cost of policing services. The Chief Constable will exercise sections 21 and 22 of the Local Government Act 2003. The Chief Constable will disclose the pension liability and a corresponding pension reserve for all staff under his direction and control in his Balance Sheet. The Chief Constable will also disclose the police pensions top-up grant in his accounts to reflect income received to offset the cost of pensions paid in year.

#### **e. Redemption of Debt**

Under the Local Government Act 1985, outstanding loan debt relating to police services was transferred to the former West Midlands Police Authority (WMPA) from the West Midlands County Council on 1 April 1986. This debt is serviced by Dudley Metropolitan Borough Council within a Metropolitan Debt Administration Fund, and loan charges are reimbursed by the PCCWM to that fund, and are unaffected by the minimum revenue provision applicable under the Local Government and Housing Act 1989.

Loan debt incurred from 1 April 1986 is directly administered by PCCWM. Instalments of principal are charged to revenue in accordance with the statutory minimum revenue provision, calculated at 4% of this debt for historical debt and in line with depreciation for borrowing since 2008, net of reserves set aside for debt redemption.

#### **f. Leasing**

Rental payments on operating leases are charged to the revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable. For finance leases where the Group is a lessee the Group recognises finance leases as assets and liabilities at the present value of the minimum lease payments. The Group's incremental borrowing rate on PWLB loans is used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset. In 2019-20 the PCCWM has not recognised any finance leases, however a review takes place each year to determine if any finance leases exist.

#### **g. Debtors and Creditors**

Debtors and creditors have been accrued when preparing the revenue accounts of the Group. Police and police staff overtime worked in March is accrued to align the overtime year with the performance year.

The outstanding debt owing to the PCCWM is analysed each year. This analysis has highlighted that there is a very low risk of non-payment of debts. Therefore, the PCC does not provide for expected credit losses on trade debtors. However it does recognise a proportion of Billing Authority impairment allowance for expected credit losses for non-payment of council tax in its Balance Sheet. The overall position regarding collection fund balances is shown in the collection fund adjustment account.

Capital expenditure is included in the accounts on an accruals basis.

## **h. Inventories and long-term contracts**

Inventories are maintained for such items as vehicle spares, vehicle fuel, uniforms, stationery and reprographics.

Inventories shown in the balance sheet are valued at the lower of cost or net realisable value.

Any long-term contracts where staged payments are not made will be accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **i. Reserves**

The PCCWM sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The purpose and nature of reserves (split between useable and unusable reserves) maintained by the PCC are disclosed in the Movement in Reserves Statement with a detailed breakdown of useable and unusable reserves provided in the notes to the Movement in Reserves Statement and to the Balance Sheet.

## **j. Provisions**

Provisions are made where an event has taken place that gives the PCC/Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the obligation.

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the PCC/Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Any estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement is made) the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that the reimbursement will be received if the PCC/Group settles the obligation.

The provision for expected credit losses (previously termed bad and doubtful debts) will remain at nil on the basis of the very low risk of non-payment of debts. However, the group does acknowledge that it holds a portion of Billing Authority impairment allowances for bad debts for non-payment of council tax in its Balance Sheet.

## **k. Contingent Liabilities and Contingent Assets**

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities can also arise in circumstances where a provision would otherwise be made but either the outflow of economic resources is not probable or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed as notes to the accounts.

A contingent asset arises where an event has taken place that gives the Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## I. Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest payable. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Discounts and premiums on the repurchase or early settlement of borrowing will be credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement should they arise. If repurchase takes place as part of a restructuring of the loan portfolio and involves the modification or exchange of instruments, the premium or discount will be deducted or added to the amortised cost of the new or modified loan. The writing down to the Comprehensive Income and Expenditure Statement will then be spread over the life of the loan by adjusting the effective interest rate on the loan.

## m. Financial Assets

The financial assets of the Group are classified by identifying the cash flow characteristics associated with the asset and the Business model reasoning for holding the asset. This will classify the value of the asset to be disclosed in the accounts which will be either Amortised cost, Fair value through Other Comprehensive Income or Fair value through Profit or Loss.

Investments with other Local Authority Bodies, Banks and Building Societies will be carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount of loans presented in the Balance Sheet is the outstanding principal receivable plus accrued interest receivable. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Assets are assessed for impairment due to the likelihood arising from a past event that payments due under the contract will not be made. If the value of the potential impairment is material to the investment, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the risk is disclosed within the Accounts, but the carrying amount is not adjusted.

Other Financial Assets held not solely for payment of principal and interest which don't achieve their Business model through collecting contractual cash flows will be classified as Fair Value through Profit or loss. For these assets, gains and losses in Fair value will be applied to the Surplus and Deficit on the Provision of Services in the year they arise. Where statutory regulations exist for Pooled Investment Funds, gains and losses on these assets are held in an unusable reserve for the duration of the regulation or until the asset is derecognised.

## **n. Treatment of Grants**

Net revenue expenditure is expressed before deducting government grants in support of the overall expenditure of the PCC/Group i.e. police grant and revenue support grant. Other revenue grants are smaller and specific to particular aspects of the Group's functions and have been shown as income in arriving at net expenditure.

Where capital grants are received in the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Account.

Since the Group accounts have been completed on an IFRS basis, revenue and capital grants and contributions will be accounted for on an accruals basis and recognised immediately as income in the Comprehensive Income and Expenditure Statement, except to the extent that the grant or contribution has a condition attached which the Group has not yet satisfied. Such grants and contributions will be recognised initially in the relevant grants and contributions received in advance account. Capital grants that do not have any conditions imposed upon them and which are not spent at the year-end will be transferred to the Capital Grants Unapplied Account.

The police pensions top-up grant – although received by the PCC will be disclosed in the Chief Constable's accounts on the basis that all police pension related costs are disclosed in the Chief Constable's accounts. This grant offsets the difference between the cost of police pensions in the year and the funding for those pensions.

## **o. Employee Benefits**

### **Benefits payable during employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the Group.

IAS 19 Employee Benefits requires the Group to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. The amount will be recognised as a creditor in the general fund balance in the Comprehensive Income and Expenditure Statement but reversed out to a short term accumulated compensated absences account in the Balance Sheet. The balance on this account will be adjusted at each Balance Sheet date to account for any increase or decrease in the balance of accumulating short term absences. The cost of annual leave entitlement and time off in lieu earned but not taken at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the next period.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Surplus or Deficit on the Provision or Services in the Comprehensive Income and Expenditure Statement when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for restructuring.

### **Post-employment benefits**

The Police Pensions Scheme is unfunded and therefore net pension payments are charged against the year in which they are made, rather than being provided for by means of a pension fund. All receipts and payments relating to the 1987, 2006 and 2015 Police Pensions Regulations are generally receivable into and payable out of the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

Pension payments to former police staff are funded through an employer's contribution to the West Midlands Metropolitan Authorities Superannuation Fund (the LGPS), administered by Wolverhampton City Council. This is accounted for as a defined benefit scheme:

- The rate of contribution in 2019-20 was 16.7% on average.
- The liabilities of the scheme attributable to the Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate set by the Actuary (usually based on the indicative rate of return on AA rated corporate bonds of appropriate duration).
- The assets of the fund attributable to the Group are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into the following components:
  - ii. *Current service cost* – the increase in liabilities as a result of years of service earned this year
  - iii. *Past service cost* – the increase in liabilities as a result of a scheme curtailment or amendment whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - iv. *Net interest on the net defined benefit liability (asset)* – net interest expenses for the Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - v. *Gains or losses on settlements and curtailments* – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - vi. *Re-measurements* – this comprises of (1) the return on plan assets excluding the amount included in net interest on the net defined pension liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure and (2) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - vii. *Contributions paid to the pension fund* - cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The PCC will recognise the cost of police staff pensions for those staff under his direction and control as these costs are provided separately by the actuary.

The PCC recognises the cost of police staff pensions only for those staff under his direction and control which are deemed to be the staffing of the Office for Policing and Crime. All other police and police staff pensions' costs are recognised in the accounting statements of the Chief Constable.

The PCC recognises actuarial gains and losses only to the extent that these relate to the staff of the Office for Policing and Crime.

#### **p. Interest**

The payment / receipt of external interest is debited / credited directly to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

#### **q. Council Tax Income**

The council tax precept income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. This income reflects the debtors for council tax due but not paid by council taxpayers and creditors for council taxpayers who have overpaid their council tax.

The difference between the council tax precept income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation is included in the Collection Fund Adjustment Account and as a reconciling item in the Movement in Reserves Statement. The Collection Fund Adjustment Account is shown as part of the unusable reserves in the Balance Sheet.

The collection of council tax by the billing authorities is in substance an agency arrangement and the cash collected by the billing authorities from council tax debtors belongs proportionately to the billing authorities and the PCCWM. There will therefore be a debtor/creditor position between the billing authorities and the PCCWM since the net cash paid to the PCCWM in the year will not be its share of cash collected from council taxpayers. The PCCWM also recognises in its Balance Sheet, its share of council tax debtor and creditor balances and impairment allowances from each of its billing authorities collection funds.

#### **r. Cash and Cash Equivalents**

The PCC/Group is required to account for short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value as cash equivalents. The PCC/Group has determined that cash equivalents are best determined as short term investments with one month or less to maturity from their date of acquisition. Therefore existing short term investments with one month or less to maturity will be reclassified as cash equivalents as at the Balance Sheet date.

#### **s. Revenue Recognition**

Revenue will be recognised to depict the transfer of promised goods or services to the Service Recipient in an amount that reflects the consideration to which the PCC/Group expects to be entitled in exchange for those goods or services. This will occur when a performance obligation is satisfied by transferring a promised good or service to a service recipient either at the time of transfer, for obligations satisfied at a point in time, or over time, using accruals where necessary to recognise revenue in the Financial year the obligation has been met.

Revenue from interest, royalties' dividends and non-exchange transactions will be recognised when it is probable that the economic benefits of service potential associated with the transaction will flow to the Group and this amount can be measured reliably.

## **t. Value Added Tax**

All material Income and Expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

VAT payable is included as an expense where it is not recoverable from HRMC, although this relates only to a very small proportion of the Group's overall expenditure.

## **u. Events after the Balance Sheet date**

Events which occur between the end of the reporting period (31 March) and the date when the Statement of Accounts are authorised for issue are known as post-Balance Sheet events. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – these are known as adjusting events and the Statement of Accounts is adjusted to reflect these events
- Those that are indicative of conditions that arose after the reporting period – these are known as non-adjusting events and the Statement of Accounts is not adjusted to reflect such events. However, where the event would have a material effect on the accounts, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events which appear after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **v. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised at the time of transfer to the purchaser and when it is probable that economic benefits or service potential associated with the transaction will flow to the Group
- Revenue from the provision of services is recognised when the Group can measure reliably the performance obligations of the transaction which are completed and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

## **w. Prior period adjustments, changes in accounting policies and estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period.

## **x. Joint Operations**

Joint operations are arrangements where the parties have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The PCC has two joint operations. These are the Regional Organised Crime Unit (ROCU) and the Central Motorway Police Group (CMPG). The activities undertaken by the Group in conjunction with other joint operators involve the use of the assets and resources of the joint operators. In relation to its interest in a joint operation, the group recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code) and IAS 8 requires the PCCWM to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. These include the following amendments which are not expected to have a material effect on the information provided in the financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

### **IFRS 16 Leases**

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 and was due to be adopted in the Code in the 2019-20 financial year. Following decisions taken at the meeting of the government's Financial Reporting Advisory Board (FRAB) on 22 November 2018 to defer implementation for the majority of rest of the public sector, the Local Authority accounting Code Board has agreed to delay implementation until 1 April 2020. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) agreed in April 2020 to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

The standard establishes a new accounting model for lessees in which all leases for assets above \$5k for more than 12 months will be accounted for by recognising a 'right to use' asset on the Balance Sheet, together with a liability for the present value of the lease payments. This means that leases currently accounted for as operating leases would be treated similarly to finance leases but recognising only a proportion of the assets value.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in the Statement of Accounts in 2019-20 the PCC has had to make certain judgements about complex transactions which could significantly affect the amounts recognised in the financial statements. The critical judgements made in the statement of accounts are presented in the following paragraph:

- A judgement has been made about the cost to be included in the financial statements in relation to the Chief Constable and the impacts of this on the PCC and Group accounts.  
Following the Stage 2 transfer of resources, which was interpreted based on the Scheme of Consents and Delegation between the two corporation soles, the Chief Constable controls and directs police officers, PCSOs and the majority of police staff (excluding those staff directly employed by the PCC to manage his office), therefore all pay and pensions costs associated with these staff groups are presented in the Chief Constable's accounts. The CFOs for the PCC and Chief Constable have determined that the non-pay costs attributable to the assets and liabilities of the PCC will also form part of the cost of the Chief Constable, since these are consumed under his direction. The carrying value of the assets and liabilities remain with the PCC as he has control of them.

#### **4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCCWM and Group Balance Sheet as at 31 March 2020 for which there are significant risks of material adjustment in the next financial year are detailed in the table below:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex actuarial judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected rate of return on the assets invested by the pension scheme. The PCC uses two firms of actuaries to provide the Group with expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The overall pension's liability as at 31 March 2020 is £7,919m (£8,355m in 2018-19). So, a very small percentage change in the overall liability can have a material impact on the accounts.
Land and Building Valuations	The impact of COVID-19 has affected market valuations for areas including the real estate market. The extent of that impact at the Balance Sheet date was not fully realised. The valuers employed by the PCC have reported under material valuation uncertainty regulations and advised that there is a need for frequent review of the portfolio.	Operational land and buildings valued at existing use or fair value within the balance sheet as at 31 March 2020 is held at a Net Book Value of £75.9m.

#### **5. EVENTS AFTER THE BALANCE SHEET DATE**

Whilst the corona virus outbreak was declared a global pandemic by the World Health Organisation on 11 March 2020, the full impact on the UK and world economy was not felt until after 31 March 2020 and is therefore a non-adjusting event. The financial impact of Covid-19 on the current year (2020-21) will not be fully understood for some time but it will incur additional costs and lost income. The financial impact will largely depend on the level of additional funding received from Government, which is yet to be confirmed.

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## 6. EXPENDITURE AND FUNDING ANALYSIS

2018-19 Net Expenditure Chargeable to the General Fund Balance	2018-19 Adjustments between Funding and Accounting Basis	2018-19 Net Expenditure in the Comprehensive Income and Expenditure Statement	GROUP	2019-20 Net Expenditure Chargeable to the General Fund Balance	2019-20 Adjustments between Funding and Accounting Basis	2019-20 Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Chief Constable</b>			
534,742	431,456	966,198	Policing Services	545,698	184,510	730,208
17,044	2,077	19,121	WMP 2020 Projects	11,060	(23)	11,037
			<b>Police and Crime Commissioner</b>			
2,317	298	2,615	Office of the PCC	2,418	223	2,641
6,638	15	6,653	Commissioned Services	6,708	32	6,740
<b>560,741</b>	<b>433,846</b>	<b>994,587</b>	<b>Net Cost of Services</b>	<b>565,884</b>	<b>184,742</b>	<b>750,626</b>
(533,663)	80,021	(453,642)	Other Income and Expenditure	(567,757)	108,228	(459,529)
<b>27,078</b>	<b>513,867</b>	<b>540,945</b>	<b>Surplus or Deficit</b>	<b>(1,873)</b>	<b>292,970</b>	<b>291,097</b>

2018-19 Net Expenditure Chargeable to the General Fund Balance	2018-19 Adjustments between Funding and Accounting Basis	2018-19 Net Expenditure in the Comprehensive Income and Expenditure Statement	PCC	2019-20 Net Expenditure Chargeable to the General Fund Balance	2019-20 Adjustments between Funding and Accounting Basis	2019-20 Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Police and Crime Commissioner</b>			
2,317	298	2,615	Office of the PCC	2,418	223	2,641
6,638	15	6,653	Commissioned Services	6,708	32	6,740
548,789	5,703	554,492	Funding to the CC	553,796	4,733	558,529
<b>557,744</b>	<b>6,016</b>	<b>563,759</b>	<b>Net Cost of Services</b>	<b>562,922</b>	<b>4,988</b>	<b>567,910</b>
(533,658)	(8,450)	(542,108)	Other Income and Expenditure	(567,757)	(7,944)	(575,701)
<b>24,085</b>	<b>(2,434)</b>	<b>21,651</b>	<b>Surplus or Deficit</b>	<b>(4,835)</b>	<b>(2,956)</b>	<b>(7,791)</b>

	Group		PCC	
	2018-19	2019-20	2018-19	2019-20
<b>Opening General Fund Balance</b>	(85,339)	(58,261)	(79,384)	(55,299)
<b>Less Deficit on General Fund Balance in Year</b>	27,078	(1,873)	24,085	(4,835)
<b>Closing General Fund Balance at 31 March</b>	(58,261)	(60,134)	(55,299)	(60,134)

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2019-20 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Chief Constable</b>				
Policing Services	4,698	179,350	462	184,510
WMP 2020 Projects	(23)			(23)
<b>Police and Crime Commissioner</b>				
Office of the PCC		223		223
Commissioned Services		32		32
<b>Net Cost of Services</b>	<b>4,675</b>	<b>179,605</b>	<b>462</b>	<b>184,742</b>
Other Income and Expenditure	(9,283)	116,232	1,279	108,228
<b>Surplus or Deficit</b>	<b>(4,608)</b>	<b>295,837</b>	<b>1,741</b>	<b>292,970</b>

2018-19 GROUP	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Chief Constable</b>				
Policing Services	3,626	428,353	(523)	431,456
WMP 2020 Projects	2,077			2,077
<b>Police and Crime Commissioner</b>				
Office of the PCC		298		298
Commissioned Services		15		15
<b>Net Cost of Services</b>	<b>5,703</b>	<b>428,666</b>	<b>(523)</b>	<b>433,846</b>
Other Income and Expenditure	(8,050)	88,522	(451)	80,021
<b>Surplus or Deficit</b>	<b>(2,347)</b>	<b>517,188</b>	<b>(974)</b>	<b>513,867</b>

Note 1 – This column adds in depreciation, impairments and revaluation losses, it also adjusts for Capital disposals, Capital Grants and MRP

Note 2 – This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 transactions

Note 3 – This column includes adjustments for Collection Fund and Accumulated Absences adjustments

2019-20 PCC	Adjustment for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments between Funding and Accounting Basis £'000
<b>Police and Crime Commissioner</b>				
Office of the PCC		223		223
Commissioned Services		32		32
Funding to the CC	4,675	58		4,733
<b>Net Cost of Services</b>	<b>4,675</b>	<b>313</b>	<b>0</b>	<b>4,988</b>
Other Income and Expenditure	(9,283)	60	1,279	(7,944)
<b>Surplus or Deficit</b>	<b>(4,608)</b>	<b>373</b>	<b>1,279</b>	<b>(2,956)</b>

2018-19 PCC	Adjustment for Capital Purposes (Note 1)	Net Change for the Pensions Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis
	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner</b>				
Office of the PCC		298		298
Commissioned Services		15		15
Funding to the CC	5,703			5,703
<b>Net Cost of Services</b>	<b>5,703</b>	<b>313</b>	<b>0</b>	<b>6,016</b>
Other Income and Expenditure	(8,050)	51	(451)	(8,450)
<b>Surplus or Deficit</b>	<b>(2,347)</b>	<b>364</b>	<b>(451)</b>	<b>(2,434)</b>

## 8. SUBJECTIVE ANALYSIS OF THE NET COST OF POLICE SERVICES

2018-19 PCC Outturn £'000	2018-19 Group Outturn £'000		2019-20 PCC Outturn £'000	2019-20 Group Outturn £'000
0	433,521	Police Pay and Allowances	0	518,470
2,068	161,559	Police Staff and PCSO Pay and Allowances	2,400	172,319
62	6,795	Other Employee Expenses	55	6,604
<b>2,130</b>	<b>601,875</b>	<b>Sub Total Employee Costs</b>	<b>2,455</b>	<b>697,393</b>
0	19,034	Premises Related Costs	0	21,944
35	10,294	Transport/Travel Costs	52	7,157
557	75,141	Supplies & Services	737	68,364
10,712	23,705	Collaborative working Expenses	14,532	29,676
0	11,382	Capital Financing Costs	0	15,472
<b>13,434</b>	<b>741,432</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>17,776</b>	<b>840,006</b>
(4,251)	(95,184)	External Income	(8,395)	(117,113)
85	348,339	Non-Distributed Costs	0	27,734
<b>9,268</b>	<b>994,587</b>	<b>NET COST - GENERAL FUND SERVICES</b>	<b>9,381</b>	<b>750,626</b>

Police Officer Pay and Allowances has increased year on year due to the additional McCloud/Sergeant liability as, in line with CIPFA's guidance, the current service costs have increased due to the additional liability of "better of" benefits for affected members.

Police Staff and PCSO Pay and Allowances has seen FTE numbers increase during 2019/20 for a number of reasons, including additional Home Office funding to tackle serious violent crime and an increase in PCSOs and Police Staff Investigators in high priority areas.

Premises costs increased from 2018-19 due to one off rates rebates received during 2018-19 and planned building works at a number of sites across the force.

Transport and Travel costs have decreased from 2018-19 in 2 main areas:

- Vehicle fuel has decreased by £1m, this is a mixture of reduced usage due to our change programme introducing New Ways of Working including mobility devices and a varying prices across the years.
- Vehicle insurance has decreased by £1.2m due to a review of the income due on repair and loss associated with motor accidents where we are not at fault.

Supplies and Services has seen a reduction in costs as during 2018-19 we invested heavily in the WMP2020 change programme with work progressing to deliver a large number of projects, these projects have been embedded into business as usual during 2019-20 and knowledge transfer has taken place to remove the reliance on our external partner and bring the project support more in house.

Collaborative expenses has increased by £6.0m, this is a mix of increased contribution to the National Police Air Service and increase in Commissioned Services within the Office of the PCC.

External income has increased by £21.9m, this is an increase in home office income in the following areas:

- Commissioned Services within the Office of the PCC for the Violence Reduction Units.
- Police Surge Grant with the aim of tackling serious violence, particularly knife crime in public spaces, in their force.
- Increase in the CTU grant in line with inflationary increases and other pressures.
- Increase in support to the Regional Organised Crime Unit and additional grant for County Lines taskforce.

Non distributed costs in 2018-19 included a one off adjustment to the past service elements of pension funds as a result of the McCloud/Sergeant case. This is now built into the ongoing current service costs of pension valuations.

## 9. COLLABORATIVE WORKING EXPENDITURE

	PCC 31 March 2019 £'000	Group 31 March 2019 £'000	PCC 31 March 2020 £'000	Group 31 March 2020 £'000
Levies	0	4,243	0	4,584
Government Departments	0	255	41	269
NHS Bodies	(65)	18	180	247
Academies	0	0	169	173
Other Police Forces	7	4,841	6	6,397
Other Local Authorities	3,037	4,361	3,808	5,417
All other bodies	7,733	9,987	10,328	12,589
<b>Total Collaborative expenditure</b>	<b>10,712</b>	<b>23,705</b>	<b>14,532</b>	<b>29,676</b>

Collaborative expenditure is included within the net cost of policing services (see note 8) in the group accounts.

## 10. EMPLOYEE REMUNERATION

The following table shows the remuneration of employees of West Midlands Police whose remuneration is more than £50,000 per year.

2018-19 Police Officers	2018-19 Police Staff	2018-19 Total	Earnings Band	2019-20 Police Officers	2019-20 Police Staff	2019-20 Total
5,787	3,896	9,683	Less than £49,999	5,406	4,144	9,550
437	40	477	£50,000 - £54,999	601	53	654
231	27	258	£55,000 - £59,999	347	19	366
60	11	71	£60,000 - £64,999	81	15	96
23	14	37	£65,000 - £69,999	31	13	44
21	4	25	£70,000 - £74,999	21	7	28
11	5	16	£75,000 - £79,999	9	4	13
15	0	15	£80,000 - £84,999	10	1	11
11	1	12	£85,000 - £89,999	10	3	13
7	3	10	£90,000 - £94,999	9	3	12
0	0	0	£95,000 - £99,999	15	0	15
2	2	4	£100,000 - £104,999	6	1	7
1	0	1	£105,000 - £109,999	0	1	1
0	0	0	£110,000 - £114,999	1	0	1
2	0	2	£115,000 - £119,999	0	0	0
0	0	0	£120,000 - £124,999	0	0	0
0	1	1	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	1	0	1
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	1	1
0	0	0	£145,000 - £149,999	0	0	0
1	0	1	£150,000 - £154,999	1	0	1
0	0	0	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
0	0	0	£190,000 - £194,999	0	0	0
1	0	1	£195,000 - £199,999	0	0	0
0	0	0	£200,000 - £204,999	1	0	1
<b>6,610</b>	<b>4,004</b>	<b>10,614</b>	<b>Totals</b>	<b>6,550</b>	<b>4,265</b>	<b>10,815</b>

The PCCWM has chosen to include senior employees and relevant police officers in the above salary bands even though the Account and Audit regulations (SI 2009 No. 3322) do not require this. The PCCWM believes that this provides a fuller and more transparent disclosure of all salaries paid to employees of West Midlands Police whose remuneration is more than £50,000 per year.

## 11. SENIOR OFFICERS REMUNERATION

This note has been prepared in accordance with statutory instrument 3322 (2009) as an amendment to the Account and Audit (Amendment no. 2) (England) Regulations 2009. This aims to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with stewardship of the organisation. The regulations require that persons whose annual salary is more than £150,000 are identified by their job title and their name, and that senior employees and relevant police officers earning more than £50,000 (but less than £150,000) are identified by their job title.

### Senior Officers' remuneration in 2019-20

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
Chief Constable D Thompson		200.5	4.3	204.8	61.2	266.0
Deputy Chief Constable L Rolfe		154.7	5.9	160.6	46.9	207.5
Assistant Chief Constable (1)	1	74.2	1.9	76.1	20.3	96.4
Assistant Chief Constable (2)	2	86.0	0	86.0	25.7	111.7
Assistant Chief Constable (3)		114.4	1.7	116.1	34.4	150.5
Assistant Chief Constable (4)	3	47.4	0	47.4	12.7	60.1
Assistant Chief Constable (5)	4	4.3	0	4.3	1.2	5.5
Assistant Chief Constable (6)	5	85.2	0	85.2	26.4	111.6
Assistant Chief Constable (7)		69.0	5.0	74.0	35.9	109.9
Assistant Chief Constable (8)	6	28.6	0	28.6	8.8	37.4
Director of Commercial Services		108.5	5.5	114.0	18.3	132.3
Director of People & Organisation Development	7	53.5	0	53.5	7.9	61.4
Director of People & Organisation Development	8	8.0	0	8.0	1.4	9.4
Director of People & Organisation Development	9	52.1	0	52.1	7.7	59.8
<b>Total:</b>		<b>1,086.4</b>	<b>24.3</b>	<b>1,110.7</b>	<b>308.8</b>	<b>1,419.5</b>

Benefits in kind in the draft Statement of Accounts are estimated values. Actual values from P11D information will appear in the audited Statement of Accounts

Notes:

1. ACC (1) vacated her role of Assistant Chief Constable on 27th October 2019
2. ACC (2) commenced role of Assistant Chief Constable on 8th July 2019
3. ACC (4) commenced temporary role of Assistant Chief Constable on 10th June 2019
4. ACC (5) commenced temporary role of Assistant Chief Constable on 16th March 2020

5. ACC (6) commenced temporary role of Assistant Chief Constable on 3rd June 2019
6. ACC (8) vacated temporary role of Assistant Chief Constable on 9th July 2019 and recommenced temporary role of Assistant Chief Constable on 23rd March 2020
7. Director of POD vacated her role of Director of People & Organisation Development on 30th August 2019
8. Director of POD commenced temporary role of Director of People and Organisation Development on 2nd September 2019 until 4th November 2019
9. Director of POD commenced role of Director of People and Organisation Development on 4th November 2019

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime - Commissioner Mr David Jamieson		100.0			100.0	16.7	116.7
Police and Crime – Deputy Commissioner	1	48.3			48.3	8.1	56.4
West Midlands Office for Policing and Crime - Chief Executive	2	144.5			144.5	24.1	168.6
West Midlands Office for Policing and Crime – Deputy Chief Executive	3	29.1			29.1	4.9	34.0
West Midlands Office for Policing and Crime – Chief Finance Officer		78.3			78.3	13.1	91.4
West Midlands Office for Policing and Crime – Legal Advisor	4	36.8			36.8	6.1	42.9
<b>Total:</b>		<b>437.0</b>			<b>437.0</b>	73.0	510.0

Notes:

1. The West Midlands OPCC Deputy Crime Commissioner was appointed on the 1st June 2019
2. The West Midlands OPCC Chief Executive received £24.1k in August 2019 which related to 2018-19 following a salary review
3. The West Midlands OPCC Deputy Chief Executive was appointed on the 1st January 2020
4. The West Midlands OPCC Legal Advisor is employed for 0.39 FTE. The postholders annualised equivalent salary is £94,170

## Senior Officers' remuneration in 2018-19

Post holder information	Notes	Salary (inc fees and allowances)	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000
<b>Chief Constable for West Midlands Police</b>						
Chief Constable D Thompson		196.1	4.3	200.4	41.1	241.5
Deputy Chief Constable L Rolfe		151.3	5.9	157.2	31.0	188.2
Assistant Chief Constable (1)	1	29.5	0.2	29.7	1.2	30.9
Assistant Chief Constable (2)	2	110.1	5.5	115.6	24.0	139.6
Assistant Chief Constable (3)	3	1.0	0	1.0	0	1.0
Assistant Chief Constable (4)	4	79.5	0	79.5	16.9	96.4
Assistant Chief Constable (5)	5	7.7	1.9	9.6	1.5	11.1
Assistant Chief Constable (6)	6	105.4	1.7	107.1	21.6	128.7
Assistant Chief Constable (7)		116.1	1.9	118.0	23.8	141.8
Assistant Chief Constable (8)	7	38.5	1.8	40.3	7.8	48.1
Assistant Chief Constable (9)	8	27.8	5.0	32.8	5.7	38.5
Director of Commercial Services		104.9	5.5	110.4	17.7	128.1
Director of People & Organisation Development		129.6	0	129.6	19.3	148.9
<b>Total:</b>		<b>1,097.5</b>	<b>33.7</b>	<b>1,131.2</b>	<b>211.6</b>	<b>1,342.8</b>

Notes:

1. ACC (1) vacated his role of Assistant Chief Constable on 18th April 2018.
2. ACC (2) vacated his role of Assistant Chief Constable on 17th December 2018.
3. ACC (3) vacated her role of Assistant Chief Constable on 31st July 2017.
4. ACC (4) commenced temporary role of Assistant Chief Constable on 19th September 2016 and vacated his role on 12th August 2018.
5. ACC (5) commenced temporary role of Assistant Chief Constable on 8th January 2018 and vacated his role on 23rd April 2018.
6. ACC (6) commenced temporary role of Assistant Chief Constable on 13th November 2017 and has been made permanent on 24th April 2018.
7. ACC (8) commenced temporary role of Assistant Chief Constable on 13th August 2018 and vacated her role in late December 2018.
8. ACC (9) commenced role of Assistant Chief Constable in late December 2018.

Post holder information	Notes	Salary (inc fees and allowances)	Compensation for loss of office	Benefits in Kind	Total remuneration (Exc employer pension contributions)	Employers pension contributions	Total Remuneration (Inc. employers pension contributions)
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Police and Crime Commissioner for West Midlands</b>							
Police and Crime - Commissioner Mr David Jamieson		100.0	0	0	100.0	16.7	116.7
West Midlands Office for Policing and Crime - Chief Executive		89.2	0	0	89.2	14.9	104.0
West Midlands Office for Policing and Crime – Chief Finance Officer		76.6	0	0	76.6	12.8	89.3
West Midlands Office for Policing and Crime – Legal Advisor	1	35.2	0	0	35.2	5.9	41.1
<b>Total:</b>		<b>300.9</b>	<b>0</b>	<b>0</b>	<b>300.9</b>	<b>50.2</b>	<b>351.1</b>

1. The West Midlands OPCC Legal Advisor is employed for 0.39 FTE. The post holders' annualised equivalent salary is £89,200

## 12. TERMINATION BENEFITS

This note discloses of the number and cost of agreed exit packages. It splits exit packages between those which relate to a compulsory redundancy and those which relate to other redundancy and departure costs.

Cost band	No. of compulsory redundancies		No. of other agreed departures		Total No. of exit packages by cost band		Total cost of exit packages in each band	
	2018-19	2019-20	2018-19 restated	2019-20	2018-19 restated	2019-20	2018-19 restated £'000	2019-20 £'000
£0 - £19,999	4	2	15	11	19	13	166	82
£20,000 - £39,999	3	1	2	1	5	2	171	57
£40,000 - £59,999	0	0	2	1	2	1	92	54
£60,000 - £79,999	0	0	1	1	1	1	67	75
£80,000 - £99,999	0	0	1	1	1	1	97	90
£100,000 +	1	0	3	0	4	0	648	0
<b>Total</b>	<b>8</b>	<b>3</b>	<b>24</b>	<b>15</b>	<b>32</b>	<b>18</b>	<b>1,241</b>	<b>359</b>

Exit packages from 2018-19 have been re-stated to include pension strain payments which were not paid until 2019-20.

The costs shown in the table above relate to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2020 but who may not have left the Group at the Balance Sheet date.

### 13. EXTERNAL AUDIT COSTS

In 2019-20 the PCCWM incurred the following fees relating to external audit:

	Police and Crime Commissioner		Group	
	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	33	33	50	50
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for a prior year	8	2	32	5
Fees Refunded by PSAA with regard to a prior year		(4)		(6)

The appointed auditor in 2019-20 was Grant Thornton UK LLP. The fee payable by the PCCWM for the audit of the PCC and Group Accounts is £32,623. There is a further fee of £17,325 for the Audit of the Chief Constable of West Midlands Police accounts making a total fee of £49,948 for the Police and Crime Commissioner Group. Additional fees of £4,500 were charged by Grant Thornton for work done relating to the 2018-19 accounts and refunds totalling £6,050 were received from the PSAA.

### 14. GRANT INCOME

The Group credited the following grants to the Comprehensive Income and Expenditure Statement. All income is credited first to the PCCWM before being forming part of the funding transferred to the CCWMP for financial resources consumed under his direction and control. This table shows where the grants are finally consumed.

	CCWMP 2018-19 £'000	PCCWM 2018-19 £'000	CCWMP 2019-20 £'000	PCCWM 2019-20 £'000
<i>Credited to Taxation and Non Specific Grant Income</i>				
Police Grant	0	247,320	0	259,664
DCLG Grant	0	177,751	0	181,298
Council Tax Support Grant	0	19,026	0	19,026
Pensions top up grant receivable	105,920	0	89,347	0
Capital Grants Received	0	7,923	0	8,635
Total	105,920	452,020	89,347	468,623
<i>Credited to Police Services</i>				
Loan Charges Grant	882	0	566	0
Counter Terrorism Grant	53,064	0	57,198	0
Victims' Support Grant	0	3,330	0	3,347
Serious Violence Grant	0	0	7,189	3,370
Other Grants	10,453	872	14,231	1,574
	64,399	4,202	79,184	8,291

## **15. RELATED PARTY TRANSACTIONS**

The PCCWM and Chief Constable of West Midlands Police are required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the PCCWM or to be controlled or influenced by the PCCWM. Disclosure of these transactions allows readers to assess the extent to which the PCCWM might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the PCCWM.

### **Central Government**

The UK Government exerts significant influence over the operations of the PCCWM – it is responsible for providing the statutory operating framework and provides the majority of funding in the form of grants. Details of transactions with government departments are set out in note 14 above showing grant income credited to the Comprehensive Income and Expenditure Statement.

### **Pension Schemes and Precepts**

The Local Government Pension Scheme is administered by Wolverhampton City Council and the PCCWM has made payments to them of £25.1m in 2019-20 (£23.2m in 2018-19). Payments we have received from other Local Authorities in the form of precept income from Council Tax payers are detailed within the Comprehensive Income and Expenditure Statement.

### **Members and Senior OPCC staff**

Members of the Strategic Policing and Crime Board have direct control over the PCC's financial and operating policies. The PCC, his Assistant PCCs, Strategic Policing and Crime Board members, Chief Officers within the Office for the PCCWM and Police force Chief Officers have signed a declaration regarding related party transactions.

No members of the Strategic Policing and Crime Board have declared related party interests in this financial year.

### **Force Senior Officers**

No Chief Officers of the Force have declared any related party transactions in 2019-20.

### **Other public bodies (subject to common control by central government)**

The PCCWM has a pooled budget arrangement for the joint operation of the Central Motorway Police Group in conjunction with his counterpart at Staffordshire. Transactions and balances in relation to this jointly controlled operation are detailed in note 47.

Transactions with related parties who are not Strategic Policing and Crime Board members, PCCWM officers or Chief Officers are shown in the debtor and creditor balances in notes 39 and 42 respectively.

## **16. MEMBERS ALLOWANCES**

Members of the Strategic Policing and Crime Board and the Joint Audit Committee are paid allowances and incidental expenses for their attendance at meetings and the work they do for these bodies throughout the year as designated by the Office for the Police and Crime Commissioner.

	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>
Allowances paid	266	208
Expenses	16	3

## 17. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred by the PCCWM in the year is shown in the table below, together with the resources that have been used to finance it.

2018-19 Outturn £'000		2019-20 Programme £'000	2019-20 Outturn £'000
<b>Property Plant and Equipment comprising:</b>			
<b>Land and Buildings:</b>			
11,444	New Police Buildings	34,554	22,397
80	Improvements and Adaptations	2,474	0
<b>Vehicles and Equipment:</b>			
4,487	Vehicles	4,666	5,225
5,517	IT and Equipment	18,031	8,151
10,194	Intangibles	7,409	6,766
22	REFCUS	0	26
<b>31,744</b>	<b>TOTAL</b>	<b>67,134</b>	<b>42,565</b>
<b>FINANCING OF EXPENDITURE</b>			
5,954	Capital Grants	12,309	11,562
11,680	Capital Receipts	6,547	34
1,176	Capital Reserve	0	0
2,500	Direct Revenue Financing	13,724	8,572
10,435	Prudential Borrowing	34,554	22,397
<b>31,744</b>	<b>TOTAL</b>	<b>67,134</b>	<b>42,565</b>

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £42.6m and the closing CFR was £63.0m. The increase in the CFR is made up of the Prudential Borrowing applied to Capital Financing less the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

## 18. LEASES

### Operating Leases

The PCCWM leases several of the properties which it occupies. The amount paid in respect of property rentals in 2019-20 was £2.16m including service charges and insurance.

The future minimum lease payments payable under operating leases for land and buildings are summarised below:-

	31 March 2019 £'000	31 March 2020 £'000
Within one year	514	812
Within two to five years	1,177	1,642
After more than five years	1,109	1,661
<b>Total</b>	<b>2,800</b>	<b>4,115</b>

### Finance leases

The PCCWM does not have any finance leases in 2019-20.

## **19. DEFINED BENEFIT PENSION SCHEMES**

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these will not actually be payable until employees retire, the Group has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in two post-employment schemes:

- The Local Government Pension Scheme for civilian employees, administered by West Midlands Pension Fund. This is a funded defined benefit final salary scheme, meaning that the PCCWM and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- The Police Pension Scheme (defined benefit) for police officers - this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Police pensions operate under three schemes: The 1987 scheme which no new members can now join, the 2006 Police pension scheme which all officers joining a pension scheme since 1 April 2006 became a member of and the 2015 scheme which all new officers join and many 2006 members transferred to in 2015-16. In addition the disclosures which follow also show the costs of police injury awards separately as the costs of injury pensions are material in their own right. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the PCCWM must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by Central Government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the PCCWM which then must repay the amount to Central Government.

The PCC recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement.

The tables which follow show pension transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year. The statements which follow show transactions for the group as a whole. Police Officer pension's costs are disclosed in full in the accounts of the Chief Constable as all police officers are deemed to operate under the direction and control of the Chief Constable. Pension costs for Police Staff and PCSOs have been split to show the costs of providing pensions for those staff under the direction and control of the PCC separately from those under the direction and control of the Chief Constable. The staff under the direction and control of the PCC are those involved in running the Office for the Police and Crime Commissioner.

The Group has obtained an actuarial valuation for the pensions relating to the staff residing in the Office for Policing and Crime and these have been included separately in the accounts although their values are not material to the overall level of assets and liabilities in the Local Government Pension Scheme.

The following tables show the transactions have been recognised in the Comprehensive Income and Expenditure Statement, Movement in Reserves and Balance Sheet during the year

## Pension transactions within the Comprehensive Income and Expenditure Statement

2019-20	Local Government Pension Scheme PCC element	Local Government Pension Scheme Group	1987 Police Pension Scheme	Police Injury Awards	2006 Police Pension Scheme	2015 Police Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Net cost of services:</u>							
Current service cost	(555)	(39,851)	(28,465)	(3,620)	(1,810)	(172,905)	(246,651)
Past service (cost)/ gain			(27,500)				(27,500)
Curtailments		(234)					(234)
<u>Financing and Investing Income &amp; Expenditure:</u>							
Net Interest cost	(57)	(8,663)	(171,940)	(2,720)	(9,450)	(12,390)	(205,163)
Administration costs	(3)	(416)					(416)
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(615)</b>	<b>(49,164)</b>	<b>(227,905)</b>	<b>(6,340)</b>	<b>(11,260)</b>	<b>(185,295)</b>	<b>(479,964)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0
<u>Re-measurements of the net defined benefit liability/asset Comprising:</u>							
Return on plan assets (excluding the amount included in the net interest cost)	(319)	(42,589)					(42,589)
Actuarial gains and losses arising on changes in demographic assumptions	(208)	(25,937)	205,585	4,110	12,400	17,660	213,818
Actuarial gains and losses arising on changes in financial assumptions	1,244	140,790	202,800	2,390	20,810	23,110	389,900
Experience gains and losses arising on the pension liabilities	(832)	(12,310)	132,990	1,250	(5,570)	23,875	140,235
Other actuarial gains and losses	93	33,128					33,128
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>(637)</b>	<b>43,918</b>	<b>313,470</b>	<b>1,410</b>	<b>16,380</b>	<b>(120,650)</b>	<b>254,528</b>

<b>2018-19</b>	<b>Local Government Pension Scheme PCC element</b>	<b>Local Government Pension Scheme Group</b>	<b>1987 Police Pension Scheme</b>	<b>Police Injury Awards</b>	<b>2006 Police Pension Scheme</b>	<b>2015 Police Pension Scheme</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u><b>Net cost of services:</b></u>							
Current service cost	(430)	(35,315)	(36,720)	(5,260)	(1,830)	(80,550)	(159,675)
Past service (cost)/ gain	(85)	(11,152)	(301,510)	0	(35,020)	0	(347,682)
Curtailments	0	(657)	0	0	0	0	(657)
<u><b>Financing and Investing Income &amp; Expenditure:</b></u>							
Net Interest cost	(53)	(8,518)	(166,280)	(2,810)	(8,410)	(8,150)	(194,168)
Administration costs	(2)	(274)	0	0	0	0	(274)
<b>Total post-employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(570)</b>	<b>(55,916)</b>	<b>(504,510)</b>	<b>(8,070)</b>	<b>(45,260)</b>	<b>(88,700)</b>	<b>(702,456)</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0
<u><b>Re-measurements of the net defined benefit liability/asset Comprising:</b></u>							
Return on plan assets (excluding the amount included in the net interest cost)	48	7,209	0	0	0	0	7,209
Actuarial gains and losses arising on changes in demographic assumptions	395	57,339	0	0	0	0	57,339
Actuarial gains and losses arising on changes in financial assumptions	(413)	(53,874)	(191,280)	(1,650)	(17,740)	(20,120)	(284,664)
Experience gains and losses arising on the pension liabilities	0	0	24,490	5,020	7,010	(8,370)	28,150
<b>Net charge to Comprehensive Income and Expenditure Statement</b>	<b>(540)</b>	<b>(45,242)</b>	<b>(671,300)</b>	<b>(4,700)</b>	<b>(55,990)</b>	<b>(117,190)</b>	<b>(894,422)</b>

## Pension transactions within the Movement in Reserves Statement

2019-20	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
			£'000	£'000	£'000	£'000	
Reversal of Net Charges for retirement benefits in accordance with IAS	615		49,164	227,905	6,340	11,260	185,295
<b>Actual amount charged against the General Fund balance for pensions in the year:</b> Employer's contributions payable to the scheme	(242)		(18,135)	0	0	0	<b>(18,135)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0		0	(183,910)	(2,890)	(890)	23,180
							<b>(164,510)</b>

2018-19	Local Government Pension Scheme PCC element £'000	Local Government Pension Scheme Group £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	2015 Police Pension Scheme £'000	Total £'000
			£'000	£'000	£'000	£'000	
Reversal of Net Charges for retirement benefits in accordance with IAS	570		55,916	514,510	8,070	45,260	88,700
<b>Actual amount charged against the General Fund balance for pensions in the year:</b> Employer's contributions payable to the scheme	(207)		(17,986)	0	0	0	<b>(17,986)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0		0	(183,830)	(2,890)	(500)	21,670
							<b>(165,550)</b>

In the above table the reversal of net charges for retirement benefits in accordance with International Accounting Standards includes the pension top up grant (£89,347k in 2019-20) payable to the Chief Constable from the Home Office. This grant is excluded in the table in note 25 which shows the adjustments within the pensions reserve affecting the overall movement in reserves.

## Assets and Liabilities in relation to Post-employment benefits

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

2019-20	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(7,842)	(969,529)	(6,584,200)	(106,490)	(368,140)	(552,530)	(8,580,889)
Fair value of plan assets	4,978	661,738	0	0	0	0	661,738
Sub-total	(2,864)	(307,791)	(6,584,200)	(106,490)	(368,140)	(552,530)	(7,919,151)
Other movements in the liability	0	0	0	0	0	0	0
Net liability arising from the defined benefit obligation	(2,864)	(307,791)	(6,584,200)	(106,490)	(368,140)	(552,530)	(7,919,151)

2018-19	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(7,072)	(1,020,185)	(7,081,300)	(110,790)	(385,060)	(407,840)	(9,005,175)
Fair value of plan assets	4,603	650,341	0	0	0	0	650,341
Sub-total	(2,469)	(369,844)	(7,081,300)	(110,790)	(385,060)	(407,840)	(8,354,834)
Other movements in the liability	0	0	0	0	0	0	0
Net liability arising from the defined benefit obligation	(2,469)	(369,844)	(7,081,300)	(110,790)	(385,060)	(407,840)	(8,354,834)

### Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2019-20	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -19	(7,072)	(1,020,185)	(7,081,300)	(110,790)	(385,060)	(407,850)	(9,005,185)
Current service cost	(555)	(39,851)	(28,465)	(3,620)	(1,810)	(172,905)	(246,651)
Interest cost	(176)	(24,341)	(171,940)	(2,720)	(9,450)	(12,390)	(220,841)
Contributions by scheme participants	(113)	(6,934)	(5,700)	0	(390)	(24,740)	(37,764)
Transfers into the scheme	0	0	(280)	0	(350)	(850)	(1,480)
Re-measurements of the net defined benefit liability/asset	204	102,543	541,375	7,750	27,640	64,645	743,953
Benefits paid	(130)	19,473	189,610	2,890	1,280	1,560	214,813
Curtailments	0	(234)	0	0	0	0	(234)
Past service costs	0	0	(27,500)	0	0	0	(27,500)
Other movements in the liability	0	0	0	0	0	0	0
31 March-20	(7,842)	(969,529)	(6,584,200)	(106,490)	(368,140)	(552,530)	(8,580,889)

2018-19	Funded liabilities: Local Govt Pension Scheme PCC element £'000	Funded liabilities: Local Govt Pension Scheme Group £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Unfunded liabilities: 2015 Police Pension Scheme £'000	Total £'000
1 April -18	(6,320)	(963,166)	(6,593,640)	(108,980)	(329,040)	(268,440)	(8,263,266)
Current service cost	(430)	(35,315)	(36,720)	(5,260)	(1,830)	(80,550)	(159,675)
Interest cost	(165)	(24,432)	(166,280)	(2,810)	(8,410)	(8,150)	(210,082)
Contributions by scheme participants	(92)	(6,698)	(7,830)	0	(410)	(22,880)	(37,818)
Transfers into the scheme	0	0	(190)	0	(530)	(540)	(1,260)
Re-measurements of the net defined benefit liability/asset	(18)	3,465	(166,790)	3,370	(10,730)	(28,490)	(199,175)
Benefits paid	38	17,770	191,660	2,890	910	1,210	214,440
Curtailments	0	(657)	0	0	0	0	(657)
Past service costs	(85)	(11,152)	(301,510)	0	(35,020)	0	(347,682)
Other movements in the liability	0	0	0	0	0	0	0
31 March-19	(7,072)	(1,020,185)	(7,081,300)	(110,790)	(385,060)	(407,840)	(9,005,175)

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2021 is £25.9m. Expected contributions for the Police Pension Scheme in the year to 31 March 2021 are £72.2m

## Reconciliation of the movements in fair value of the scheme assets:

	Local Government Pension Scheme PCC assets £'000		Local Government Pension Scheme Group assets £'000	
	2018-19	2019-20	2018-19	2019-20
01 April	4,184	4,603	620,578	650,341
Interest on plan assets	112	119	15,914	15,678
Return on plan assets excluding the amount included in the net interest expense	48	(319)	7,209	(42,589)
Other Actuarial gains (losses)	0	93	0	33,128
Employer contributions	207	242	17,986	18,135
Member contributions	92	113	6,698	6,934
Benefits paid	(38)	130	(17,770)	(19,473)
Administration expenses	(2)	(3)	(274)	(416)
31 March	<b>4,603</b>	<b>4,978</b>	<b>650,341</b>	<b>661,738</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the Police staff liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The estimates for the West Midlands Pension Fund have been based on the last full valuation of the scheme as at 31 March 2019.

Under the projected unit method of estimating liabilities the current service cost will increase as the members of that scheme approach retirement. This is more evident in schemes such as the 1987 Police pension scheme where the age profile of the active membership is significantly rising.

The principal assumptions in the calculations made are:-

	Local Government Pension Scheme		Police Pension Scheme	
	2018-19	2019-20	2018-19	2019-20
	Years	Years	Years	Years
<b>Mortality Assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
Men	20.9	21.9	22.7	21.9
Women	23.2	24.1	24.3	23.6
<b>Longevity at 65 for future pensioners:</b>				
Men	22.6	23.8	24.6	23.6
Women	25.0	26.0	26.2	25.2
	%	%	%	%
Rate of CPI inflation	2.40	1.85	2.35	2.00
Rate of increase in salaries	3.90	2.85	4.35	4.00
Rate of increase in pensions	2.40	1.85	2.35	2.00
Rate for discounting scheme liabilities	2.40	2.35	2.45	2.25

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above table. The sensitivity analyses below have been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while other assumptions remain constant. It is noted that some assumptions are interrelated.

The estimations in this analysis are completed on an actuarial basis using the projected unit credit method.

Local Government Pension Scheme PCC		Impact on the defined benefit obligation in the scheme		
		£000's	£000's	£000's
<b>Sensitivity analysis</b>				
<b>Adjustment to the discount rate</b>	Present value of total obligation Projected service cost	+0.1% 7,647 625	0% 7,842 643	-0.1% 8,042 662
<b>Adjustment to 1% p.a. short term salary increase</b>	Present value of total obligation Projected service cost	+0.1% 7,872 643	0% 7,842 643	-0.1% 7,812 643
<b>Adjustments to pension increases and deferred valuations</b>	Present value of total obligation Projected service cost	+0.1% 8,013 661	0% 7,842 643	-0.1% 7,676 625
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation Projected service cost	+ 1 year 8,105 663	No change 7,842 643	- 1 year 7,588 623

Local Government Pension Scheme Group		Impact on the defined benefit obligation in the scheme		
		£000's	£000	£000
<b>Sensitivity analysis</b>				
<b>Adjustment to the discount rate</b>	Present value of total obligation Projected service cost	+0.1% 946,717 43,963	0% 969,529 45,222	-0.1% 992,913 46,518
<b>Adjustment to 1% p.a. short term salary increase</b>	Present value of total obligation Projected service cost	+0.1% 972,640 45,244	0% 969,529 45,222	-0.1% 966,447 45,200
<b>Adjustments to pension increases and deferred valuations</b>	Present value of total obligation Projected service cost	+0.1% 989,894 46,501	0% 969,529 45,222	-0.1% 949,666 43,978
<b>Adjustment to life expectancy assumptions</b>	Present value of total obligation Projected service cost	+ 1 year 1,007,517 46,673	No change 969,529 45,222	- 1 year 933,074 43,816

Police Pension Scheme	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000's	£'000's
Longevity (increase or decrease of 1 year)	222,000	(222,000)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	602,000	(602,000)
Rate of increase in salaries (increase or decrease by 0.5%)	107,000	(107,000)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(769,000)	769,000

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund covering police staff are valued at fair value, (the bid price of investments held), totalling £661.7m for the fund as a whole at 31 March 2020 (£650.3m at 31 March 2019). The Funds' assets have been split into assets relating to the PCC and those relating to the Group as a whole and these consist of the following categories by proportion of the total assets of the Fund:

Asset category	Sub category	Quoted Y or N	PCC Fair value of Assets Held		Group Fair value of assets held	
			31 March 2019	31 March 2020	31 March 2019	31 March 2020
Cash and cash equivalents	Cash instruments and accounts	Y	0	0	0	0
	Cash instruments and accounts	N	146	179	20,596	23,749
<b>Total Cash</b>			<b>146</b>	<b>179</b>	<b>20,596</b>	<b>23,749</b>
Equity Instruments	UK quoted	Y	617	543	87,154	72,160
	UK unquoted	N	0	0	0	0
	Overseas quoted	Y	377	354	53,332	47,003
	Overseas unquoted	N	1,188	1,339	167,804	178,084
	Index Futures	Y	235	184	33,171	24,495
	Private unquoted	N	304	413	42,927	54,948
<b>Total equity</b>			<b>2,721</b>	<b>2,833</b>	<b>384,388</b>	<b>376,690</b>
Bonds	UK Government fixed	Y	0	0	0	0
	UK Government fixed	N	50	64	7,132	8,550
	UK Government indexed	Y	271	317	38,257	42,091
	UK Government indexed	N	0	0	0	0
	UK other	Y	46	54	6,484	7,235
	UK other	N	179	208	25,288	27,622
	Overseas other	Y	46	104	6,484	13,811
	Overseas other	N	27	40	3,890	5,261
<b>Total Bonds</b>			<b>619</b>	<b>787</b>	<b>87,535</b>	<b>104,570</b>
Property	UK and property funds	Y	391	443	55,237	58,859
<b>Total property</b>			<b>391</b>	<b>443</b>	<b>55,237</b>	<b>58,859</b>
Alternatives	Infrastructure	Y	9	10	1,298	1,296
	Infrastructure	N	244	258	34,412	34,352
	Absolute return	N	175	146	24,673	19,445
	Other fixed interest	Y	0	0	0	0
	Other fixed interest	N	299	312	42,203	41,481
	Futures	Y	0	(24)	0	(3,241)
	Other long term	N	0	34	0	4,537
<b>Total Alternatives</b>			<b>726</b>	<b>736</b>	<b>102,586</b>	<b>97,870</b>
<b>Total Assets held</b>			<b>4,603</b>	<b>4,978</b>	<b>650,341</b>	<b>661,738</b>

The Chief Constable, along with other Chief Constables and the Home Office, currently has 746 claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

#### *Impact on pension liability*

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for West Midlands Police to be approximately 4.4% or £337m of pension's scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. In 2019-20, scheme actuaries have reviewed these assumptions at a force level and have estimated a decrease in scheme liabilities. This decrease reflects a change in assumptions and therefore represents a gain on remeasurement and is reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023-24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

## **20. DISCRETIONARY PENSION PAYMENTS**

The table below shows the capitalised value of payments made during the year to former employees under the conditions of the Local Government Superannuation Scheme.

	<b>2018-19 Capitalised Value £'000</b>	<b>2019-20 Actual Payments £'000</b>	<b>2019-20 Capitalised Value £'000</b>
Payments made in respect of decisions made in the year	0	0	0
Payments made in respect of decisions made in previous years	1,884	98	1,758
	<b>1,884</b>	<b>98</b>	<b>1,758</b>

## **21. PROVISIONS**

A provision was made at the end of 2018-19 for prospective damages and legal costs in association with ongoing claims. At the balance sheet date only one claim has been settled from the original provision with the others under active legal discussion.

## **22. CONTINGENT LIABILITIES AND ASSETS**

### *McCloud/Sergeant Compensation Claims*

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June for non-pecuniary claims and September for pecuniary claims. As at 31st March 2020, it is not possible to estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

The Chief Constable of West Midlands Police along with other Chief Constables had claims lodged against them in the County Courts. These claims are in respect of the Police Regulations 2003 in particular, failure to pay overtime, compensatory leave and other on call allowances to CHIS (Covert Human Intelligence Source) handlers. Provision has been made for known claims, however further claims may be received from officers, including those in undercover roles. These claims are expected to have a financial impact on West Midlands Police, but the level of such impact is unclear at this stage as the number of Claimants is not yet fully realised and the investigation into the likely value of compensation to the Claimants is still ongoing.

The Hillsborough legal case is ongoing and is one of a number of historical inquiries that are at various stages which potentially could have a financial impact on West Midlands Police.

## **23. POLICE PROPERTY ACT FUND**

The Police Property Act requires us to set aside money received from the sale of stolen goods and property confiscations so that we can make payments to charities. Of the money received we are allowed to use up to 50% to fund property related administration. Transactions for the year are shown below.

	31 March 19 £'000	31 March 20 £'000
<b>Balance as at 1 April</b>	<b>597</b>	<b>619</b>
Income from confiscations and property auctions	197	117
Payments to charitable causes	(175)	(175)
<b>Balance as at 31 March</b>	<b>619</b>	<b>561</b>

Notes 24 and 25 contain details of accounts held by the Police and Crime Commissioner for the West Midlands which do not form part of the primary statements shown on pages 33 to 38.

## **24. TRUST FUNDS**

### **The High Sheriff's Police Trust Fund for the West Midlands (Building Blocks)**

Supported by the PCC, the Charity supports a number of police service related initiatives within the West Midlands. The balance on the funds accounts at 31 March 2020 was £90,942 (£123,385 at 31 March 2019).

### **The Alderman Guy Fund**

Supported by the Police Force this small charity makes awards to selected officers whose performance it recognises as being of particular merit.

The balance on the funds accounts at 31 March 2020 was £1,735 (£1,730 at 31 March 2019).

These charities are not subject to external audit by our external auditor Grant Thornton UK LLP.

## **25. PROCEEDS OF CRIME ACT 2002 ACCOUNT**

In addition, there are three bank accounts for the holding of 3<sup>rd</sup> party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2020 the balance on these accounts was £5,454,138, \$16,963 and €38,418. At 31 March 2019 the balance on these accounts was £5,195,990, \$17,759 and €12,683.

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### 26. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments within the Movement in Reserves Statement that are made to Total Comprehensive Income and Expenditure recognised by the PCCWM in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as available to the PCCWM to meet future capital and revenue expenditure.

2019-20 Group	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL</b>					
<b>ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(12,507)			(12,507)	12,507
Revaluation losses on Property, Plant and Equipment					
Amortisation of intangible assets	(2,896)			(2,896)	2,896
Revenue expenditure funded from Capital under Statute	(26)			(26)	26
Capital grants and contributions applied	11,196			11,196	(11,196)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,284)			(2,284)	2,284
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,509			1,509	(1,509)
Capital expenditure charged against the general fund balance	8,509			8,509	(8,509)
Voluntary provision above MRP	736			736	(736)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	8,635		(8,635)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(11,196)			11,196	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,933	(2,933)			
Use of the Capital Receipts Reserve to finance new capital expenditure		34		34	(34)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(390,617)			(390,617)	390,617
Employers pensions contributions and direct payments to pensioners payable in the year	94,780			94,780	(94,780)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements		(1,279)		(1,279)	1,279
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(462)			(462)	462
<b>TOTAL ADJUSTMENTS</b>	<b>(292,969)</b>	<b>(3,097)</b>	<b>2,561</b>	<b>(293,505)</b>	<b>293,505</b>

2018-19 Group	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
Charges for depreciation and impairment of non-current assets	(10,490)			(10,490)	10,490
Revaluation losses on Property, Plant and Equipment	2,017			2,017	(2,017)
Amortisation of intangible assets	(2,845)			(2,845)	2,845
Capital grants and contributions applied	(22)			(22)	22
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	5,954			5,954	(5,954)
	(1,546)			(1,546)	1,546
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
Statutory provision for the financing of capital investment (MRP)	1,293			1,293	1,293
Capital expenditure charged against the general fund balance	2,500			2,500	2,500
Voluntary provision above MRP	669			669	669
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	7,923		(7,923)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(5,954)		5,954	0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,671	(1,671)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		11,680		11,680	(11,680)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(596,535)		(596,535)	596,535	
Employers pensions contributions and direct payments to pensioners payable in the year	79,348		79,348	(79,348)	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	451			451	(451)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	523			523	(523)
<b>TOTAL ADJUSTMENTS</b>	<b>(515,043)</b>	<b>9,811</b>	<b>(1,969)</b>	<b>(507,201)</b>	<b>507,201</b>

2019-20 PCC	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(12,507)			(12,507)	12,507
Revaluation losses on Property, Plant and Equipment					
Amortisation of intangible assets	(2,896)			(2,896)	2,896
Revenue expenditure funded from Capital under Statute	(26)			(26)	26
Capital grants and contributions applied	11,196			11,196	(11,196)
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	(2,284)			(2,284)	2,284
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment (MRP)	1,509			1,509	(1,509)
Capital expenditure charged against the general fund balance	8,509			8,509	(8,509)
Voluntary provision above MRP	736			736	(736)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	8,635		(8,635)		
Application of grants to capital financing transferred to the Capital Adjustment Account	(11,196)		11,196		
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,933	(2,933)			
Use of the Capital Receipts Reserve to finance new capital expenditure		34		34	(34)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(615)			(615)	615
Employers pensions contributions and direct payments to pensioners payable in the year	242			242	(242)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		(1,279)		(1,279)	1,279
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements					
<b>TOTAL ADJUSTMENTS</b>	<b>2,957</b>	<b>(3,097)</b>	<b>2,561</b>	<b>2,421</b>	<b>(2,421)</b>

2018-19 PCC	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</b>					
Charges for depreciation and impairment of non-current assets	(10,490)		(10,490)	10,490	
Revaluation losses on Property, Plant and Equipment	2,017		2,017	(2,017)	
Amortisation of intangible assets	(2,845)		(2,845)	2,845	
Capital grants and contributions applied	(22)		(22)	22	
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	5,954		5,954	(5,954)	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</b>					
Statutory provision for the financing of capital investment (MRP)	(1,546)		(1546)	1546	
Capital expenditure charged against the general fund balance	1,293		1,293	1,293	
Voluntary provision above MRP	2,500		2,500	2,500	
	669		669	669	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT</b>					
Capital grant and contributions unapplied credited to the CIES	7,923		(7,923)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(5,954)		5,954	0	0
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,671	(1,671)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		11,680		11,680	(11,680)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE</b>					
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(198)		(198)	198
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	(570)		(570)	570	
Employers pensions contributions and direct payments to pensioners payable in the year.	207		207	(207)	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	451		451	(451)	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements					
<b>TOTAL ADJUSTMENTS</b>	<b>1,258</b>	<b>9,811</b>	<b>(1,969)</b>	<b>9,100</b>	<b>(9,100)</b>

## 27. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amount set aside from the General Fund in the PCC's Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2019-20.

	Balance at 31 March 2018	Trf to reserves in 2018-19	Trf from reserves in 2018-19	Trf between reserves in 2018-19	Balance at 31 March 2019	Trf to reserves in 2019-20	Trf from reserves in 2019-20	Trf between reserves in 2019-20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital reserve	(1,176)	0	1,176	0	0	0	0	0	0
Budget reserve	(19,101)	0	22,962	(9,081)	(5,220)	(3,760)	0	(153)	(9,133)
Self-funded insurance reserve	(9,429)	(2,123)	2,724	0	(8,829)	(2,995)	3,036	0	(8,788)
Devolved Budget reserve	(27,882)	(2,495)	18,682	8,059	(3,637)	(2,376)	1,734	0	(4,278)
Uniform and protective equipment reserve	(8,897)	0	4,120	0	(4,777)	0	0	0	(4,777)
Major incidents	(2,153)	0	0	0	(2,153)	0	0	153	(2,000)
PoCA income reserve	(832)	0	250	0	(582)	0	250	0	(332)
Change Programme (inc Risk) reserve	(1,022)	0	0	1,022	0	(12,359)	0	0	(12,359)
Carry Forward Reserve	0	(19,074)	0	0	(19,074)	(4,528)	19,074	0	(4,528)
Police Property and Misuse of Drugs Act reserve	(804)	(227)	175	0	(857)	(126)	175	0	(808)
National Contingency reserve	(2,000)	0	910	0	(1,090)	0	0	0	(1,090)
Earmarked Reserves	(73,297)	(23,919)	50,997	0	(46,219)	(26,144)	24,270	0	(48,092)
General Fund Reserves	(12,042)	0	0	0	(12,042)	0	0	0	(12,042)

## NOTES TO THE BALANCE SHEET

### 28. PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

#### Movements in 2019-20

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2019</b>	<b>161,916</b>	<b>71,388</b>	<b>12,672</b>	<b>245,976</b>
Additions in Year		13,030	28,816	41,846
Transfer between Categories	(3,215)		(2,828)	(6,043)
Disposals in Year	(160)	(7,890)		(8,050)
Revaluation Gains and losses in Year				
Impairments in Year				
<b>Cost or valuation at 31 March 2020</b>	<b>158,541</b>	<b>76,528</b>	<b>38,660</b>	<b>273,729</b>
<b>Accumulated Depreciation at 31 March 2019</b>	<b>2,910</b>	<b>50,273</b>	<b>0</b>	<b>53,183</b>
Depreciation Charge in Year	4,086	8,510		12,596
Transfer between Categories				
Depreciation written out on Revaluation	(78)			(78)
Depreciation written out on Impairment				
Disposals in Year	(5)	(7,724)		(7,729)
<b>Accumulated Depreciation at 31 March 2020</b>	<b>6,913</b>	<b>51,059</b>	<b>0</b>	<b>57,972</b>
<b>Net Book Value at 31 March 2020</b>	<b>151,628</b>	<b>25,469</b>	<b>38,660</b>	<b>215,757</b>
<b>Net Book Value at 31 March 2019</b>	<b>159,006</b>	<b>21,115</b>	<b>12,672</b>	<b>192,793</b>

A Full revaluation of the Property Portfolio was carried out in 2018-19 with an effective date of 31 December 2018. These assets were valued at Current Value based on Existing Use Value or Depreciated Replacement Cost for specialised buildings. There was not a material movement at the balance sheet date since the previous valuation.

Revaluation Gains and Losses are comprised of a change in Asset value combined with a write out of previously charged depreciation. Revaluation losses include revaluation gains which reverse losses charged to the CIES in prior years.

## Comparative Movements in 2018-19

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation at 31 March 2018</b>	<b>152,983</b>	<b>68,007</b>	<b>3,474</b>	<b>224,464</b>
Additions in Year	10,535	10,002	10,531	31,068
Transfer between Categories	(863)		(1,333)	(2,196)
Disposals in Year	(416)	(6,585)		(7,001)
Revaluation Gains in Year	(323)	(37)		(360)
Revaluation Losses in Year				
Impairments in Year				
<b>Cost or valuation at 31 March 2019</b>	<b>161,916</b>	<b>71,388</b>	<b>12,672</b>	<b>245,976</b>
<b>Accumulated Depreciation at 31 March 2018</b>	<b>5,476</b>	<b>49,353</b>		<b>54,829</b>
Depreciation Charge in Year	3,234	7,363		10,597
Transfer between Categories	(10)			(10)
Depreciation written out on Revaluation	(5,779)	(50)		(5,829)
Depreciation written out on Revaluation Loss				
Depreciation written out on Impairment				0
Disposals in Year	(11)	(6,393)		(6,404)
<b>Accumulated Depreciation at 31 March 2019</b>	<b>2,910</b>	<b>50,273</b>		<b>53,183</b>
<b>Net Book Value at 31 March 2019</b>	<b>159,006</b>	<b>21,115</b>	<b>12,672</b>	<b>192,793</b>
<b>Net Book Value at 31 March 2018</b>	<b>147,507</b>	<b>18,654</b>	<b>3,474</b>	<b>169,635</b>

## Valuations

	Land and Buildings £000	Vehicles, Furniture and Equipment £000	Total £000
Carried at Historical Cost	13,083	76,493	89,576
Valued at current value as at:			
31 March 2019	0	30	30
31 December 2018	118,558	0	118,558
31 March 2018	0	0	0
1 April 2017	26,500	5	26,505
1 April 2016	0	0	0
1 April 2015	0	0	0
1 April 2014	400	0	400
<b>Total cost or valuation</b>	<b>158,541</b>	<b>76,528</b>	<b>235,069</b>

## **29. HERITAGE ASSETS**

The heritage assets held by the PCCWM are separated into two categories; Museum collection and Statues and Sculptures.

The West Midlands Police Museum at Sparkhill and Coventry Police Station and Steelhouse Lane Lock Up contains collections of whistles, medals, photographs, uniform and police vehicles depicting the history of the Police Force in the Birmingham and West Midlands area over more than 100 years. The collection of artefacts held is valued at £156k which is an insurance valuation.

The PCCWM owns a sculpture in the grounds of Bilston police station entitled "fingertip search". This item has been valued at its cost of £30k.

In addition the PCCWM owns a statue of Sir Robert Peel which is located at Tally Ho! in the grounds of the Learning and Development Resource Centre. This item does not have a carrying value as it was decided that the cost of obtaining a reliable value for the item was not commensurate with the item's materiality to the accounting statements.

## **30. FUTURE CAPITAL COMMITMENTS**

New construction at Park Lane has been ongoing through the year and there was £13.1m outstanding on the construction contract at 31 March 2020.

## **31. STATEMENT OF PHYSICAL ASSETS**

An analysis of major fixed assets owned by the PCCWM is shown below:-

	<b>31 March 19</b>	<b>31 March 20</b>
Operational Police Stations	10	10
Beat Offices	54	52
Police Administrative Buildings	2	2
Police Houses	9	8
Standalone Radio Aerials	2	2
Training Centres	4	4
Other Property	35	39

The above descriptions relate to the main function of each site. Police Stations are those stations which satisfy the latest Home Office criteria (including having a counter open to the Public for at least part of the day).

Other minor assets include equipment and vehicles, although these are too numerous to list individually. In future years the numbers of such assets will diminish greatly, as present policy is to classify the majority of such items as revenue rather than capital when their purchase cost is less than £5,000.

## 32. INTANGIBLE ASSETS

The PCCWM accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The useful lives assigned to major software suites used by the Group are 3 years. Intangible software assets developed internally in conjunction with our Business Partner are expected to have an operational life of 10 years.

The movement on intangible asset balances during the year is as follows:

	2018-19			2019-20		
	Internally generated assets £'000	Other assets £'000	Total £'000	Internally generated assets £'000	Other assets £'000	Total £'000
<u>Balance at start of year</u>						
Gross carrying amounts	2,616	19,259	21,875	3,942	19,475	23,417
Accumulated amortisation	(212)	(9,449)	(9,661)	(433)	(11,638)	(12,071)
Net carrying amount at start of year	<b>2,404</b>	<b>9,810</b>	<b>12,214</b>	<b>3,509</b>	<b>7,837</b>	<b>11,347</b>
<u>Additions</u>						
Internal Development	0	0	0	0	0	0
Purchases	0	653	653	0	266	266
Net Disposals in the year	0	(7)	(7)	0	0	0
Amortisation for the period	(220)	(2,625)	(2,845)	(268)	(2,627)	(2,896)
Transfer between categories	1,325	7	1,332	0	2,828	2,828
Net carrying amount at the end of the year	<b>3,509</b>	<b>7,838</b>	<b>11,347</b>	<b>3,241</b>	<b>8,304</b>	<b>11,544</b>
<u>Comprising:</u>						
Gross carrying amounts	3,942	19,475	23,417	3,942	21,875	25,817
Accumulated amortisation	(433)	(11,638)	(12,071)	(701)	(13,572)	(14,273)
	<b>3,509</b>	<b>7,837</b>	<b>11,347</b>	<b>3,241</b>	<b>8,304</b>	<b>11,544</b>

## 33. FINANCIAL INSTRUMENTS

The PCCWM borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments

	Long Term at 31 March 2019	Long Term at 31 March 2020	Current at 31 March 2019	Current at 31 March 2020
	£'000	£'000	£'000	£'000
Financial Liabilities at amortised cost	87,862	99,223	1,968	4,332
Total Borrowings	87,862	99,223	1,968	4,332
Financial Assets held at Amortised cost	21,119	5,003	69,314	75,598*
Financial assets held at fair value through profit and loss	4,742	4,576	0	0
Total Investments	25,861	9,579	69,314	75,598

\*This figure includes £29.3m representing investments with a maturity of less than 1 month. These are classified as cash equivalents.

Additional Financial Instruments held at amortised cost include:

	31 March 19 £'000	31 March 20 £'000
Short Term Debtors	29,168	37,203
Long Term Debtors	950	753
Short Term Creditors	(28,503)	(29,636)
Cash	(1,068)	(111)
<b>Total</b>	<b>547</b>	<b>8,209</b>

These financial instruments relate to the proportion of debtor, creditor and cash balances which fit the definition of financial instruments according to the CIPFA code of practice on local authority accounting. Examples are debtors and creditors which principally arise from contracts. The complete long and short term debtor and creditor balances are disclosed in notes 36, 39 and 42 respectively.

Financial liabilities and financial assets (Investments) are carried in the Balance Sheet for the group mainly at amortised cost, with two investments being held at fair value through profit and loss. One of these is an investment in a Pooled fund and is subject to a statutory override directing the movement in fair value through other comprehensive income and expenditure into an adjustment account. The fair values calculated for financial assets and liabilities are as follows:

	Carrying amount 2019 £'000	Fair value 2019 £'000	Carrying amount 2020 £'000	Fair value 2020 £'000
<b>Financial Liabilities</b>				
Borrowings				
Financial Liabilities (PWLB Loans)	82,849	103,056	97,310	109,330
Financial Liabilities (WMCC debt)	6,981	8,006	6,245	6,944
<i>Creditors</i>				
Other financial liabilities	29,571	29,571	29,747	29,747
<b>Financial Assets</b>				
Investments				
Long Term investments	25,861	26,232	9,579	9,651
Short term Investments	69,314	69,314	75,598	75,598
Debtors				
Other receivables	30,118	30,118	37,956	37,956

The fair value hierarchy of financial liabilities that are not measured at fair value is set out below

Recurring fair value measurement using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Financial Liabilities</b>				
Borrowings:				
Financial Liabilities (PWLB)		97,310		97,310
Financial Liabilities (WMCC debt)		6,245		6,245
<b>Total</b>		<b>103,555</b>		<b>103,555</b>

The fair value for financial liabilities that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial Assets	Financial Liabilities
Where an instrument will mature in the next 12 months fair value is taken as carrying value	No early repayment is recognised
The fair value of trade and other receivables is taken as the billed or invoiced amount	Estimated ranges of interest rates at 31 March 2020 of 1.90% to 2.65% for PWLB loans payable based on PWLB new loan rates
	The fair value of trade and other payables is taken to be the billed or invoiced amount

### 34. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 19 £'000	31 March 20 £'000
Opening Balance	(54,148)	(87,863)
External Loans Raised in Year	(35,000)	(15,000)
Loans Repaid or transferred to Short Term in Year	1,285	3,640
<b>Closing Balance</b>	<b>(87,863)</b>	<b>(99,223)</b>

The sources of long term loans outstanding at the year-end are shown below:

	31 March 19 £'000	31 March 20 £'000
Public Works Loan Board	(81,617)	(93,787)
W.M.C.C. Debt	(6,245)	(5,436)
<b>Total</b>	<b>(87,863)</b>	<b>(99,223)</b>

The fair value of the Public Works Loan Board loans is £109.3m which measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. However it should be noted that the PCC has the ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. The measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £97.3m would be valued at £109.3m.

The fair value of West Midlands County Council debt has been calculated as £6.9m as at 31 March 2020. The difference in valuation between what is shown in the above table and the fair value of the debt reflects transaction costs and purchasing loans other than at par. The fair value is the amount that the loan could be traded for in an arms-length transaction; it is generally higher than amortised cost as transaction costs are not included in fair value.

The sources of short term borrowing are shown below:

	31 March 19 £'000	31 March 20 £'000
PWLB accrued interest and principal	1,232	3,523
W.M.C.C principal repayment	736	809
	<b>1,968</b>	<b>4,332</b>

These borrowings are repayable as follows:

	31 March 19 £'000	31 March 20 £'000
Maturity within 5 years	10,477	14,464
Maturity within 6 to 10 years	8,566	3,304
Maturity within 11 to 15 years	0	0
Maturity in 15 or more years	70,787	85,787
<b>Total</b>	<b>89,830</b>	<b>103,555</b>

### 35. LONG AND SHORT TERM INVESTMENTS

The PCCWM invests its surplus cash balances in order to generate income by earning interest. The balance sheet shows these investments as summarised below:

	31 March 19 £'000	31 March 20 £'000
Short Term Investments at amortised cost	69,314*	75,598*
Long Term Investments at amortised cost	21,119	5,003
Long Term Investments at Fair Value	4,742	4,576
<b>Total</b>	<b>95,175</b>	<b>85,176</b>

\*Included with this figure is the amount of £29.3m (£8.1m in 2018-19) representing investments with a maturity of less than 1 month. These investments are classified as cash equivalents. (See note 40). The fair value of these investments has been calculated as £85.2m as at 31 March 2020 (£95.5m at 31 March 2019); the fair value is the amount that the investments could be traded for in an arms-length transaction.

Interest earned on investments has been credited to the Comprehensive Income and Expenditure Statement.

### 36. LONG TERM DEBTORS

In 2013-14 a new long term debtor was formed when the Force Helicopter was transferred to the National Police Air Service (NPAS). The PCCWM will receive payments for the Asset annually until 2024-25.

	31 March 19 £'000	31 March 20 £'000
NPAS	950	752
<b>Total</b>	<b>950</b>	<b>752</b>

## **37. MANAGEMENT OF RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The PCCWM is exposed to several risks arising from the use of financial instruments which are assessed using IFRS 9:

Credit risk – the potential for other parties to not pay amounts due to the PCC.

Liquidity risk – the potential that the PCC might not have funds available to meet payment commitments as they fall due.

Refinancing risk – the potential that the PCC might need to renew a financial instrument on maturity at a disadvantageous interest rate or terms.

Market risk – the potential that financial loss might arise as a result of changes in interest rates or stock market movements.

Foreign Exchange risk – the potential that financial loss might arise as a result of changes in exchange rates because the PCC had foreign exchange exposure by using financial instruments denominated in a currency other than sterling. The PCCWM does not currently have any foreign investments.

The PCC regards the successful identification, monitoring and control of risk to be a measure of the effectiveness of treasury management. Risk management is carried out under policies approved by the PCCWM in the annual Treasury Management Strategy Report.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers. Deposits are not made with banks and building societies unless they are rated independently and meet the minimum credit rating criteria as set in the Treasury Management Strategy Report.

The PCC's policy for 2019-20 was to not lend more than £60m to an individual counterparty (with the exception of the Bank of England and part Government owned banks) with a high credit rating. Individual limits for value and duration are applied to each approved counterparty based on their overall credit rating.

Credit ratings are monitored on a daily basis via credit rating bulletins from the PCC's treasury management advisers. Any institutions that cease to meet the minimum credit rating criteria are immediately withdrawn from the list of approved counterparties.

The following analysis summarises the PCC's potential maximum exposure to credit risk, based on default and uncollectability experience over the previous five financial years but adjusted to include current market conditions.

	Amount at 31 March 2020	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2020	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2019	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2020
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	80,300	0.002	0.85	766	683

Given that several institutions meeting the minimum credit rating criteria defaulted as recently as 2008-09, it is important to note the estimated maximum exposure to default and uncollectability figure. There are no current indications that any losses will arise from non-performance by the PCC's current approved counterparties.

## Liquidity Risk

As the PCCWM has ready access to borrowings from the Public Works Loans Board there is no significant risk that there will be an inability to raise finance to meet commitments under financial instruments. Instead the risk is that the PCC will be required to take up borrowing at a time of unfavourable interest rates (see market risk). The maturity analysis of financial liabilities is shown in note 34.

## Refinancing and Maturity Risk

This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments are the key parameters to address this risk. The maturity analysis of financial liabilities is set out in the table below with the maximum limits for fixed interest rate maturities in each period.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual	Actual
			31 March 2019 £'000	31 March 2020 £'000
Under 12 months	25	0	1,968	4,332
12 months and within 24 months	25	0	3,639	890
24 months and within 5 years	50	0	4,870	9,242
5 years and within 10 years	75	0	8,566	3,304
10 years and above	100	25	70,787	85,787
<b>Total</b>			<b>89,830</b>	<b>103,555</b>

## Market Risk

### Interest Rate Risk

The PCC is exposed to significant risk in terms of exposure to interest rate movements on borrowings and investments. Movements in interest rates have a complex impact. For example, a rise in interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.

Investments at fixed rates – the fair value of the assets will fall.

The PCC has an active strategy for assessing interest rates exposure that feeds into setting the annual budget and which is used to update the budget during the year. This allows for any adverse changes to be accommodated.

### Price Risk

The PCCWM does not invest in equity shares and has no shareholdings in joint ventures or local industry. There is therefore, no exposure to price risk.

### Foreign Currency Risk

As at the 31 March 2020 the PCCWM has no financial assets denominated in foreign currencies. Income received will be banked immediately and converted using the exchange rate at the time of banking. The PCC has no other exposure to loss arising from movements in exchange rates.

## 38. INVENTORIES

The value of inventory held by the PCCWM is disclosed in the following table:

	Vehicle parts and fuel		Uniforms, Stationery and Reprographics		Total	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April	174	213	619	377	793	590
Purchases	294	315	0	0	294	315
Recognised as an expense in year	(255)	(302)	(242)	(105)	(496)	(407)
<b>Balance as at 31 March</b>	<b>213</b>	<b>226</b>	<b>377</b>	<b>272</b>	<b>590</b>	<b>498</b>

## 39. SHORT TERM DEBTORS

	31 March 2019	31 March 2020
	£'000	£'000
Central Government Bodies	42,659	50,217
Other Local Authorities and PCCs	17,772	6,266
NHS Bodies	4	0
Public Corporations and Trading Funds	0	6
Other entities and individuals	8,170	8,413
<b>Total</b>	<b>68,604</b>	<b>64,902</b>

These debtors are net of the impairment allowance for doubtful debts provided by the regional Local Authorities for the Collection Fund (£8.94m for 2019-20, £7.46m for 2018-19). A proportion of short term debtors are recognised as financial instruments. These have been disclosed in note 33.

### Non-contractual debtors past due but not impaired

	Collection Fund 31 March 2019 £'000	Collection Fund 31 March 2020 £'000
Less than one year	4,385	4,540
One to two years	1,833	2,151
Two to six years	3,426	4,342
Over six years	896	1,460
<b>Total</b>	<b>10,540</b>	<b>12,493</b>

## 40. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents held by the PCCWM is made up of the following elements:

	31 March 2019 £'000	31 March 2020 £'000
Cash held by the PCCWM	337	337
Bank Current Accounts	(1,405)	(448)
Short term deposits with financial institutions	8,100	29,326
<b>Total</b>	<b>7,032</b>	<b>29,214</b>

The short term deposits held with financial institutions recognised as cash equivalents have less than 1 month to maturity. A proportion of cash and bank balances are disclosed as financial instruments. These are disclosed in note 33.

## 41. ASSETS HELD FOR SALE

	Non-Current	
	2018-19 £'000	2019-20 £'000
Balance outstanding at start of year	1,325	1,530
<b>Assets newly qualified as held for sale:</b>		
Property, plant and equipment	853	3,215
Revaluation losses	0	0
Revaluation gains	272	0
<b>Assets declassified as held for sale:</b>		
Property, plant and equipment	0	0
Assets sold	(920)	(1,875)
<b>Total</b>	<b>1,530</b>	<b>2,870</b>

## 42. SHORT TERM CREDITORS

	31 March 2019 £'000	31 March 2020 £'000
Central Government Bodies	16,114	13,381
Other Local Authorities and PCCs	11,151	3,523
NHS Bodies	702	197
Public Corporations and Trading Funds	0	0
Other entities and individuals	30,590	31,275
<b>Total</b>	<b>58,557</b>	<b>48,376</b>

A proportion of short term creditor balances are disclosed as financial instruments. These are disclosed in note 33.

## 43. USABLE RESERVES

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and Note 26.

#### 44. UNUSABLE RESERVES

	31 March 2019 £'000	31 March 2020 £'000
Revaluation Reserve	(32,944)	(30,354)
Capital Adjustment Account	(123,296)	(130,235)
Pensions Reserve	8,357,796	7,919,151
Deferred Capital Receipts reserve	(950)	(752)
Collection Fund Adjustment Account	(1,833)	(555)
Pooled Investment Funds Adjustment Account	354	520
Accumulated Absences Account	3,255	3,717
<b>Total</b>	<b>8,202,382</b>	<b>7,761,493</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCCWM arising from increases in the value of its Property, Plant and Equipment and Intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, when the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2018-19 £'000	2019-20 £'000
Balance at 1 April	(30,643)	(32,643)
Upward revaluation of assets	(5,655)	(78)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	2,017	0
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(3,637)	(78)
Difference between fair value depreciation and historical cost depreciation	686	1,325
Accumulated gains on assets sold or scrapped	650	1,343
Amount written off to the Capital Adjustment Account	1,336	2,668
<b>Balance as at 31 March</b>	<b>(32,944)</b>	<b>(30,354)</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancements of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The account is credited with the amounts set aside by the PCCWM as finance for the costs of acquisition, construction or enhancement.

The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, when the Revaluation Reserve was created to hold such gains.

Note 26 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2018-19 £'000	2019-20 £'000
<b>Balance at 1 April</b>	<b>(111,575)</b>	<b>(123,296)</b>
<i>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	9,804	11,182
Revaluation losses on Property, Plant and Equipment	(2,017)	0
Amortisation of intangible assets	2,845	2,896
Revenue Expenditure funded from Capital under Statute	22	26
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	896	941
	11,550	15,045
<b>Adjusting amounts written out</b>	<b>0</b>	<b>0</b>
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>11,550</b>	<b>15,045</b>
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(11,680)	(34)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,113)	(8,268)
Application of grants to capital financing from the Capital Grants Unapplied Account	(841)	(2,928)
Statutory provision for the financing of capital investment charged against the General Fund balance	(1,293)	(1,509)
Voluntary Provision for the repayment of debt	(669)	(736)
Capital expenditure charged against the General Fund balance	(3,675)	(8,509)
	(123,296)	(130,235)
<b>Balance as at 31 March</b>	<b>(123,296)</b>	<b>(130,235)</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Group makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	<b>7,648,643</b>	<b>8,357,796</b>
Re-measurements of the net defined benefit liability or asset	191,966	(734,482)
Reversal of items related to retirement benefits debited or credited to the Surplus or Deficit on the provision of service in the Comprehensive Income and Expenditure Statement	596,535	390,617
Employers' pensions contributions and direct payments to pensioners payable in the year	(79,348)	(94,780)
<b>Balance as at 31 March</b>	<b>8,357,796</b>	<b>7,919,151</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from billing authorities' collection fund balances.

	31 March 2019 £'000	31 March 2020 £'000
<b>Balance at 1 April</b>	<b>(1,382)</b>	<b>(1,833)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(451)	1,279
<b>Balance at 31 March</b>	<b>(1,833)</b>	<b>(555)</b>

## Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account recognises fair value gains and losses on Pooled Investment Funds held by the PCC which would otherwise be charged to a revenue account. The regulation mitigating the impact of these fair value movements ceases on 31 March 2023.

	31 March 2019 £'000	31 March 2020 £'000
<b>Balance at 1 April</b>	0	354
Amount by which fair value of investment has moved in year.	354	166
<b>Balance at 31 March</b>	<b>354</b>	<b>520</b>

## Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement and time owing balances carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account. The Balances in the table below represent the liability of the Group to pay outstanding compensating absences.

	2018-19 £'000	2019-20 £'000
<b>Balance at 1 April</b>	<b>3,778</b>	<b>3,255</b>
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,778	3,255
Amounts by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	(523)	462
<b>Balance at 31 March</b>	<b>3,255</b>	<b>3,717</b>

## NOTES TO THE CASH FLOW STATEMENT

### 45. RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 March 19 £'000	Year ended 31 March 20 £'000
Decrease/ (Increase) in cash	13,826	(22,183)
Cash outflow from increase in liquid resources	(11,323)	31,225
Financing	33,715	11,361
<b>Change in net debt resulting from cashflows</b>	<b>36,218</b>	<b>20,403</b>
Net Debt as at 1 April 2019	42,462	6,244
Net Debt as at 31 March 2020	6,244	(14,159)

### 46. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 19 £'000	Movement in the Year £'000	Balance at 31 March 20 £'000
Cash held by the PCC	337	0	337
Bank Current Accounts	(1,405)	957	(448)
Short term deposits with financial institutions	8,100	21,226	29,326
<b>7,032</b>		<b>22,183</b>	<b>29,215</b>

Cash equivalents are short term deposits and investments with less than 1 month to maturity.

## JOINT OPERATIONS

### 47. CENTRAL MOTORWAY POLICE GROUP

The PCCWM is engaged in a joint operation with his opposite number in Staffordshire for the Policing of the Motorway network in the West Midlands area known as the Central Motorway Police Group. The PCCWM provides the financial administration service for this joint unit.

The assets of the unit in respect of police vehicles, equipment and land and buildings are held individually by each police PCC and are shown on each PCC's balance sheet.

The two Police forces have an agreement in place for funding this unit with contributions to the agreed budget of 70% from West Midlands Police and 30% from Staffordshire. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The revenue account for the Unit covers all operating costs. The details for 2019-20 are as follows:

2018-19 £'000		2019-20 £'000
	<b>Funding provided to the pooled budget</b>	
(4,274)	Contribution from West Midlands Police	(4,428)
(1,938)	Contribution from Staffordshire Police	(2,201)
<b>(6,212)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(6,629)</b>
	<b>Expenditure met from the pooled budget</b>	
5,737	Pay and allowances	6,070
407	Transport costs	401
68	Supplies and Services	158
<b>6,212</b>	<b>Total expenditure</b>	<b>6,629</b>
	<b>Income received to the Pooled budget</b>	
0	Miscellaneous Income	0
(35)	External funding	0
<b>(35)</b>	<b>Total income received</b>	<b>0</b>
<b>6,177</b>	<b>Total Net Expenditure</b>	<b>6,629</b>
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 70% of the net surplus/(deficit) arising during the year	0

The funding provided by the pooled budget is adjusted between the Forces to ensure the agreed percentage split is applied to the final expenditure less any surplus. In 2019-20 the final contribution paid by the PCCWM was £4.64m.

## 48. WEST MIDLANDS REGIONAL ORGANISED CRIME UNIT

The West Midlands Regional Organised Crime Unit (WMROCU) is a collaboration between the police forces of Staffordshire, Warwickshire, West Midlands and West Mercia to fight organised crime across the region.

The aim of WMROCU is to reduce the impact and increase the disruption of serious and organised crime within the region and beyond. West Midlands Police acts as the lead force for this joint arrangement and provides the financial management service for this unit.

The unit is funded in part by force contributions and also by grants from the Home Office and the National Cyber Security Programme (NCSP). The revenue account for this unit covers all operating costs. The details are as follows:

2018-19 £'000		2019-20 £'000
	<b>Funding provided to WMROCU</b>	
(13,475)	Contribution from West Midlands Police	(14,026)
(3,789)	Contribution from West Mercia Police**	(3,783)
(3,681)	Contribution from Staffordshire Police**	(3,675)
(1,840)	Contribution from Warwickshire Police**	(1,837)
(2,399)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(270)
(165)	Regional Asset Recovery Team grant	(166)
(532)	ROCU Reserves	(693)
(1,784)	Police Transformation Fund grants	(1,134)
(625)*	Additional Home Office funding (grant provided in 2018-19)	0
<b>(28,560)</b>	<b>Total funding</b>	<b>(27,983)</b>
	<b>WMROCU expenditure</b>	
1,056	Regional Asset Recovery Team (RART)	995
165	RART – ACE team	196
645	Regional Cyber Crime Unit	637
315	Regional Fraud Team	288
927	Regional Prisons Intelligence Unit	922
943	UKPPS (protected Persons)	8
56	Operational Security (OPSY)	61
46	Regional Government Agency Intelligence Network (GAIN)	50
1,181	Command Team	1,533
5,484	Regional Confidential Unit	5,527
716	TIDU – Technical Intelligence	624
180	Enabling Services	305
4,473	SOCU	4,628
7,850	Regional Surveillance Unit (FSU)	8,266
259	Threat Assessment Team (ROCTA)	122
474	Disruption Team	266
3,165	Other Regional Operations	3,555
625	Additional Contribution to Reserves	0
<b>28,560</b>	<b>Total expenditure***</b>	<b>27,983</b>
<b>0</b>	<b>Total Net Expenditure</b>	<b>0</b>

\*The additional £0.625m Home Office grant was provided in March 2019 to be used in 2019-20. Therefore the grant has been shown as income in 2018-19 and then contributed to reserves. In 2019-20 the grant was released to ROCU for the provision of services.

\*\* Not included in PCCWM Accounts

\*\*\* Expenditure is incurred proportionally by all parties within the collaboration in line with the funding transferred to WMROCU

## POLICE PENSION FUND ACCOUNT

From 1 April 2006 the funding arrangements for the Police Pension Scheme were changed. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and that cash has to be generated to meet actual pensions payments as they eventually fall due. Each year the pension fund is balanced to nil by the transfer of top up grant to/from the Police Fund.

2018-19 £'000	Police Pension Fund Account	2019-20 £'000
		£'000
	<b>Fund Account</b>	
	Contributions receivable:	
	From employer:	
(49,060)	Normal	(70,648)
(2,347)	Early retirements	(1,370)
0	AV contributions	(7)
(51,407)		(72,025)
	From members	
(31,109)		(30,833)
(31,109)		(30,833)
	Transfers in	
(1,321)		(1,477)
(1,321)		(1,477)
<b>(83,837)</b>	<b>Total income into the Pension Fund</b>	<b>(104,335)</b>
	Benefits payable:	
153,770	Pensions	160,398
41,292	Lump sums	32,238
248	Lump sum death benefits	309
0	30+ benefits payable	0
135	Benefits payable to other regional forces re earlier reorganisations	88
195,446		193,033
	Payments to and on account of leavers:	
222	Refunds of contributions	488
140	Individual transfers out to other schemes	161
630	Other	0
992		649
<b>196,438</b>	<b>Total payments from the pension fund</b>	<b>193,682</b>
<b>112,601</b>	<b>Net amount payable for the year</b>	<b>89,347</b>
(6,681)	2.9% employer contributions met by the Police and Crime Commissioner (2018-19 only)	0
(105,920)	Additional contribution received from the Home Office	(89,347)
<b>0</b>		<b>0</b>

## **Net Assets Statement**

<b>Net current assets and liabilities</b>	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Current assets	0	0
Current liabilities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## **Notes to the Police Pension Fund Account**

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting polices detailed on page 41 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable.
3. All benefits payable during 2019-20 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2020 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and Note 26 of the Statement of Accounts demonstrates how this is done.
4. The police pension fund scheme is an unfunded defined benefit scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2019-20 the contribution rates were as follows :-

Employers Contribution – 31.0% for the 1987, 2006 and 2015 Police pension schemes

For tier 1 officers (salaries under £27,000 a year)

Employee Contribution – 14.25% for 1987 police pension scheme  
Employee Contribution – 11% for 2006 police pension scheme  
Employee Contribution - 12.44% for 2015 police pension scheme

For tier 2 officers (salaries between £27,000 and £60,000 a year)

Employee Contribution – 14.25% for 1987 police pension scheme  
Employee Contribution – 12.05% for 2006 police pension scheme  
Employee Contribution – 13.44% for 2015 police pension scheme

For tier 3 officers (salaries over £60,000 a year)

Employee Contribution – 15.05% for 1987 police pension scheme  
Employee Contribution – 12.75% for 2006 police pension scheme  
Employee Contribution – 13.78% for 2015 police pension scheme

## GLOSSARY OF TERMS

**ACCURAL** – The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

**ACCRUED BENEFITS** – The benefits for service up to a given point in time, whether vested rights or not.

**ACCUMULATED COMPENSATED ABSENCES** - Compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulated compensated absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Examples include annual leave and time off in lieu.

**ACTUARIAL GAINS AND LOSSES** – For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

**ACTUARIAL VALUATION** – A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**AGENCY SERVICES** – The provision of services by an authority (the agent) on behalf of another authority, which is legally responsible for providing those services. The responsible authority reimburses the authority providing the service.

**AMORTISED COST** - This is a mechanism that sees through contractual terms to measure the real cost that an authority bears each year from entering into a financial liability. The carrying amount of some assets and liabilities in the Balance Sheet will be written down or up via the Comprehensive Income and Expenditure Statement over the term of the instrument.

**APPROPRIATIONS** – Amounts transferred to or from revenue or capital reserves.

**ASSET** – An item owned by the PCC, which has a value, for example, land & buildings, vehicles, equipment, cash.

**BEST VALUE ACCOUNTING CODE OF PRACTICE** – A CIPFA guide to accounting for best value which provides a consistent and comparable calculation of the total costs of services. This was replaced in 2011 with the Service Reporting Code of Practice (SERCOP).

**BUDGET** – A statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCCWM before the start of each financial year and is used to monitor actual expenditure throughout the year.

**CAPITAL ADJUSTMENT ACCOUNT** – An account which accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources which have been set aside to finance Capital expenditure.

**CAPITAL EXPENDITURE** – Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

**CAPITAL FINANCING CHARGES** – The repayment of loans and interest to pay for capital projects.

**CAPITAL GRANT** – Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

**CAPITAL RECEIPTS** – The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

**CAPITAL RESERVE** – Created to provide an alternative source of financing capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

**CASHFLOW STATEMENT** – This statement summarises the inflows and outflows of cash.

**CIPFA** – The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in the public services.

**CONTINGENCY** – a sum of money set aside to meet unforeseen expenditure or a liability.

**COUNCIL TAX** – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

**CREDITORS** – Individuals or organisations to whom the PCC owes money at the end of the financial year. Under IFRS creditors may also be known as “Trade and other payables”

**CURRENT ASSETS AND LIABILITIES** – Current assets are items that can be readily converted into cash. Current liabilities are items that are usually payable within one year of the balance sheet date.

**CURRENT SERVICE COSTS (PENSIONS)** – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

**DEBTORS** – Individuals or organisations who owe the PCC money at the end of the financial year. Under IFRS debtors may also be known as “Trade and other receivables”

**DEFINED BENEFIT SCHEME** – a pension scheme which defines the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

**DEPRECIATION** – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

**DISCRETIONARY BENEFITS** – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

**EARMARKED RESERVES** – These reserves represent monies set aside that can only be used for a specific purpose.

**EXPECTED RATE OF RETURN ON PENSION ASSETS** – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**FAIR VALUE** – This is the amount for which an asset could be exchanged or a liability settled by knowledgeable parties in an arms length transaction. For many financial instruments fair value will be the same as the outstanding principal amount.

**FINANCE AND OPERATING LEASE** – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the revenue account.

**FINANCIAL INSTRUMENT** - A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

**FINANCIAL YEAR** – The period of twelve months for the accounts commencing 1 April and ending on 31 March the following year.

**GOVERNMENT GRANTS** – Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain restrictions and/or conditions relating to the activities of the PCC.

**IAS 19 RETIREMENT BENEFITS** – An accounting standard that requires the recognition of long term commitments made to employees in respect of retirement benefits in the year in which they are earned

**INTEREST INCOME** – The money earned from the investment of surplus cash.

**INTEREST COSTS (PENSIONS)** – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** – The standards developed by the International Accounting Standards Board (IASB) and supported by interpretations of the International Financial Reporting Interpretations Committee (IFRIC) on which the accounts of the PCC are based.

**INVENTORY** – The term used under IFRS to refer to stock.

**MINIMUM REVENUE PROVISION (MRP)** – The statutory minimum amount which an authority is required to set aside on an annual basis as a provision to redeem debt.

**NET BOOK VALUE** – The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NON-CURRENT ASSETS** – Tangible assets that yield benefits to the PCC and the services it provides for a period of more than one year.

**NON DISTRIBUTED COSTS** – This is where overheads are not charged or apportioned to activities within the Service Expenditure Analysis.

**NON DOMESTIC RATES** – The non-domestic rate in the pound is the same for all non-domestic rate payers and is set annually by the Government. Income from non-domestic rates goes into a Central Government pool that is then distributed to local authorities according to resident population.

**OUTTURN** – The actual amount spent in the financial year.

**PAST SERVICE COST** – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**PAYMENTS IN ADVANCE** – These represent payments made prior to 31 March for supplies and services received after 1 April.

**PENSION FUND** – A fund which makes pension payments on retirement of its participants.

**POLICE AND CRIME COMMISSIONER** – this refers to the post of the Police and Crime Commissioner and may also be referred to in the Statement of Accounts as the Commissioner.

**PCCWM** – The Police and Crime Commissioner for West Midlands. This is the entity which is a Local Authority for accounting purposes and which holds the police fund.

**PROVISION** – An amount set aside to provide for a liability that is likely to be incurred but for which the exact amount and the date on which it will arise are uncertain.

**RECEIPTS IN ADVANCE** – These represent income received prior to 31 March for supplies and services provided by the PCC after 1 April.

**REMEASUREMENTS** – These are re-measurements of the net defined pension liability which comprise of returns on pension plan assets (excluding an amount including in net interest) and changes in actuarial gains and losses. These are shown on the Comprehensive Income and Expenditure Statement as other Comprehensive Income and Expenditure.

**RESERVES** – Monies set aside by the Authority that do not fall within the definition of provisions.

**RETIREMENT BENEFITS** – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVALUATION RESERVE** – The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value. It is debited with the part of the depreciation charge for the asset relating to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.

**REVENUE EXPENDITURE AND INCOME** – Day to day expenses mainly salaries and general running expenses.

**REVENUE CONTRIBUTIONS** – Contribution from the Revenue account to finance capital expenditure and thus reduce the requirement to borrow.

**SCHEME LIABILITIES** – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employee is committed to provide for service up to the valuation date